Ratings: Moody's: "Aaa"
Fitch: "AAA"
(See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT
Dated: April 9, 2018

NEW ISSUE: **BOOK-ENTRY-ONLY**

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

$110,700,000*
GALENA PARK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris County, Texas)
Unlimited Tax School Building and Refunding Bonds, Series 2018

Dated Date: April 15, 2018 **Due: August 15, as shown on the inside cover page**

The Galena Park Independent School District (the "District") Unlimited Tax School Building and Refunding Bonds, Series 2018 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended ("Chapter 1207"), Texas Government Code, Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 7, 2016 and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on February 12, 2018 by the Board of Trustees (the "Order"). As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials to execute a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date specified above and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, constructing and equipping school facilities within the District and the purchase of land for school sites, (ii) refunding a portion of the District's outstanding bonds for debt service savings, and (iii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "Schedule I - Schedule of Refunded Bonds").

The Bonds maturing on or after August 15, 2028 are subject to redemption at the option of the District in whole or in part on February 15, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Mahomes Bolden PC, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about May 17, 2018.

LOOP CAPITAL MARKETS

ESTRADA HINOJOSA & COMPANY, INC. **FTN FINANCIAL CAPITAL MARKETS**

RAYMOND JAMES **SIEBERT CISNEROS SHANK & CO., L.L.C.**

**Preliminary, subject to change.*

$110,700,000*
GALENA PARK INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Harris County, Texas)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2018

MATURITY SCHEDULE
Base CUSIP No.: 363335[1]

Maturity Date 8/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2019	1,555,000			
2020	2,960,000			
2021	3,105,000			
2022	3,255,000			
2023	3,415,000			
2024	3,585,000			
2025	3,760,000			
2026	3,945,000			
2027	4,145,000			
2028	4,350,000			
2029	4,480,000			
2030	4,695,000			
2031	4,840,000			
2032	4,975,000			
2033	9,640,000			
2034	10,305,000			
2035	4,915,000			
2036	5,065,000			
2037	5,220,000			
2038	5,375,000			
2039	5,535,000			
2040	5,705,000			
2041	5,875,000			

(Interest to accrue from the Dated Date)

**Preliminary, subject to change.*

[1] CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Term Expires	Total Length of Service On the Board	Occupation
Jeff Miller, President	2019	21 Years	Insurance Agent
Wanda Heath Johnson, Vice-President	2018	13 Years	Retired Teacher
Minnie Rivera, Secretary	2020	7 Years	Retired
Wilfred J. Broussard Jr., Member	2020	10 Years	Real Estate Broker
Dawn Fisher, Member	2020	16 Years	Legal Assistant
Ramon Garza, Member	2019	8 Years	Insurance Agent
Joe Stephens, Member	2018	9 Years	Insurance Agent / Judge

APPOINTED OFFICIALS

Name	Position	Length of Service in District
Dr. Angi Williams	Superintendent	33 Years
Kenneth Wallace	Deputy Superintendent for Educational Support and School Administration	18 Years
Sonya George	Deputy Superintendent for Operational Support & Chief Financial Officer	6 Years
Elizabeth Lalor	Assistant Superintendent for Educational and Academic Support	27 Years
John Moore	Assistant Superintendent for Operations	27 Years
Terri Moore	Assistant Superintendent for Communication Services and Professional Development	27 Years
Dr. Wanna Giacona	Assistant Superintendent for Human Resource Services	24 Years
Julie Lee	Executive Director for Budget and Financial Support Services	5 Years
Yvonne Johnson	Executive Director for Treasury and Capital Projects Management	12 Years

CONSULTANTS AND ADVISORS

Bracewell LLP, Houston, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Whitley Penn LLP, Houston, Texas	Certified Public Accountants

For additional information, contact:

Sonya George
Chief Financial Officer
Galena Park ISD
14705 Woodforest Blvd.
Houston, Texas 77015
(832) 386-1000

Brian Grubbs / Doug Whitt / Robert White
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1470
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page, Schedule I and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District, the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" AND "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency and the District, respectively, to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDEWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", AS SUCH INFORMATION WAS PROVIDED BY DTC AND TEA, RESPECTIVELY.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without this entire Official Statement.

The District — The Galena Park Independent School District (the "District") is a political subdivision of the State of Texas located in Harris County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

The Bonds — The Bonds are being issued in the principal amount of $110,700,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code, Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 7, 2016 and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on February 12, 2018 by the Board of Trustees (the "Order"). As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials to execute a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, constructing and equipping school facilities within the District and the purchase of land for school sites, (ii) refunding a portion of the District's outstanding bonds for debt service savings, and (iii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose" and "Schedule I - Schedule of Refunded Bonds").

Paying Agent/Registrar — The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Security — The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Redemption — The Bonds maturing on or after August 15, 2028 are subject to redemption at the option of the District in whole or in part on February 15, 2028 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (See "THE BONDS - Optional Redemption").

Permanent School Fund Guarantee — The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Ratings — The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Texas Permanent School Fund Guarantee Program. The District has an underlying, unenhanced rating, including the Bonds, of "Aa2" by Moody's and "AA+" by Fitch. (See "RATINGS" herein.)

Tax Matters — In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

Payment Record — The District has never defaulted on the payment of its bonded indebtedness.

Legal Opinion — Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Bracewell LLP, Houston, Texas, Bond Counsel.

Delivery — When issued, anticipated to be on or about May 17, 2018.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the Galena Park Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Harris County, Texas, in connection with the offering by the District of its Unlimited Tax School Building and Refunding Bonds, Series 2018 (the "Bonds") identified on page ii hereof.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

There follows in this Official Statement descriptions of the Bonds and the Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Galena Park Independent School District, 14705 Woodforest Blvd., Houston, Texas 77015 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial Purchaser of the Bonds to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $110,700,000 (preliminary, subject to change) pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code, Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 7, 2016 and an order (the "Bond Order") authorizing the issuance of the Bonds adopted on February 12, 2018 by the Board of Trustees. As permitted by the provisions of Chapter 1207 and Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials to execute a pricing certificate establishing the pricing terms for the Bonds (the pricing certificate, together with the Bond Order, are collectively referred to herein as the "Order"). Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, constructing and equipping school facilities within the District and the purchase of land for school sites, (ii) refunding a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings, and (iii) paying the costs of issuing the Bonds.

Refunded Bonds

The Refunded Bonds are being called for redemption on August 15, 2018 (the "Redemption Date"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"), the paying agent/registrar for the Refunded Bonds (the "Refunded Bonds Paying Agent"). The Order provides that proceeds from the sale of the Bonds, together with funds contributed by the District, if any, will be irrevocably deposited with the Refunded Bonds Paying Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held without investment by the Refunded Bonds Paying Agent pending their disbursement to redeem the Refunded Bonds on the Redemption Date. By the deposit of the funds with the Refunded Bonds Paying Agent, the District will have effected the defeasance of the Refunded Bonds in accordance with State law and, as a result of such defeasance, the Refunded Bonds will not be deemed as being outstanding obligations of the District. The Refunded Bonds Paying Agent will certify as to the sufficiency of the amounts initially deposited therewith to pay the principal of and interest on the Refunded Bonds on the Redemption Date.

General Description

The Bonds will be dated April 15, 2018 (the "Dated Date") and will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2019 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of $5,000 of principal or any integral multiple thereof within a maturity.

Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company ("DTC"), payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Optional Redemption

The Bonds maturing on or after August 15, 2028, are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on February 15, 2028, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Bonds, the

District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from an ad valorem tax annually levied, without legal limit as to rate or amount, on all taxable property within the District. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the TEA for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and the approval of certain legal matters by Bracewell LLP, Houston, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix C - Form of Legal Opinion of Bond Counsel").

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Amendments

In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Order further provides that the majority of owners of the Bonds shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with an Issuer contribution, will be applied approximately as follows:

Sources	
Par Amount of Bonds	$
Original Offering Premium	
Accrued Interest	
Issuer Contribution	
Total Sources of Funds	$
Uses	
Deposit to Construction Fund	$
Deposit to Escrow Fund	
Costs of Issuance	
Underwriters’ Discount	
Deposit to Interest and Sinking Fund	
Total Uses of Funds	$

REGISTERED OWNERS' REMEDIES

The Order establishes specific events of default with respect to the Bonds and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the continuation thereof for a period of 60 days after notice of default is given by the District by any registered owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The

Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds; the Bonds are issued pursuant to Section 1371, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity for such purpose. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants, (2) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds) or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited Securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as, redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to The District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District and the Underwriters believe to be reliable, but none of the District, the Financial Advisor, nor the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Initial Registration

Definitive Bonds will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM TAX PROCEDURES

Property Tax Code and County Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Harris County Appraisal District (the "Appraisal District") is responsible for appraising property within the District as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board of the Appraisal District (the "Appraisal Review Board") which consists of members who are appointed by the Appraisal District's Boards of Directors. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; $10,000 State mandated exemption to residential homesteads of persons ages 65 or over or disabled; a State mandated exemption up to a maximum of $12,000 for real or personal property of disabled veterans or the surviving spouse or children of an individual who died while on active duty in the armed forces; a State mandated $25,000 in market value exemption for all residential homesteads (see "Residential Homestead Exemptions" below); and certain classes of intangible property. In addition, except for increases attributable to certain improvements, the District is prohibited by State law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for an exemption based on the age or disability of the owner. The freeze on ad valorem taxes on the homesteads of persons 65 years of age or older and the disabled is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was 55 or older when the deceased spouse died and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Overview" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years. Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit", defined by the Property Tax Code as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport or goods-in-transit exemptions for tangible personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. See "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" and "APPENDIX A – FINANCIAL INFORMATION OF THE DISTRICT - ASSESSED VALUATION" for a schedule of the amount of exemptions granted by the District.

A city or county may create a tax increment financing zone ("TIF") within the city or county with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including school districts, may agree with the city or county to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units. Prior to September 1, 2001, school districts were allowed to enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The school district in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Effective September 1, 2001, school districts may not enter into tax abatement agreements under the general statute that permits cities and counties to initiate tax abatement agreements. In addition, credit will not be given by the Commissioner of Education in determining a district's property value wealth per student for (1) the appraisal value, in excess of the "frozen" value, of property that is located in a TIF created after May 31, 1999 (except in certain limited circumstances where the city creating the TIF gave notice prior to May 31, 1999 to all other taxing units that levy ad valorem taxes in the TIF of its intention to create the TIF and the TIF was created and had its final project and financing plan approved by the municipality prior to August 31, 1999) or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993.

Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for certain school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. Additional State funding is provided to a school district for each year of such tax limitation in the amount of the tax credit provided to the taxpayer. During the first two years of a tax limitation agreement, the school district may not adopt a tax rate that exceeds the district's rollback tax rate (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate").

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property.

Article VII of the Texas Constitution and the Property Tax Code permit land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The District, at its expense, has the right to obtain from the Appraisal District current estimates of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimates of appraisal values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal rolls.

Residential Homestead Exemptions

Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 11.131 of the Texas Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries.

In addition to any other exemptions provided by the Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Voters in the State approved a constitutional amendment on November 3, 2015 increasing the mandatory homestead exemption for school districts from $15,000 to $25,000, and requiring that the tax limitation for taxpayers who are age 65 and older or disabled be reduced to reflect the additional exemption. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"

The governing body of a political subdivision is prohibited from repealing or reducing the amount of an optional homestead exemption that was in place for the 2014 tax year (fiscal year 2015) during the period ending December 31, 2019.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. By the later of September 30th or 60 days after the certified appraisal roll is delivered to the District, the rate of taxation must be set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service and maintenance and operations purposes. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrues interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service. The rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "State Compression Percentage" for that year multiplied by $1.50, (2) the rate of $0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's State Compression Percentage for that year multiplied by $0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" for a description of the "State Compression Percentage"). If for the preceding tax year a district adopted an M&O tax rate that was less than its effective M&O tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O tax rate for the preceding tax year equal to its effective M&O tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills. A district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. The automatic stay in bankruptcy will prevent the automatic attachment of tax liens with respect to post-petition tax years unless relief is sought and granted by the bankruptcy judge. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Harris County The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within Harris County.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District's taxes are collected by the Tax Assessor Collector.

The District does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District does not allow split payments and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone.

The District grants an optional 20% homestead exemption.

The District has not granted the freeport exemption. The District has taken action to tax goods-in-transit.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Penalty	Interest	Cumulative Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, State law allows that, if an account is delinquent in July, an amount up to 20% attorney's collection fee may be added to the total tax penalty and interest charge.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Texas public school finance system (the "Finance System"). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the "Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to "establish and make suitable provision for the support and maintenance of an efficient system of public free schools," or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court's previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal*., 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

> Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding "system" is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Financing System was "undeniably imperfect". While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno,* 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 41 through 46 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program", as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited M&O tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of $1.17 per $100 of taxable value for most school districts (although a few districts can exceed the $1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed $0.50 per $100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS" herein). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to $1.50 per $100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of $1.50 per $100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage". The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For the 2018-19 State fiscal biennium, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at $1.00 per $100 of taxable value. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to $0.04 above the compressed tax rate without voter approval (for most districts, up to $1.04 per $100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of $1.17 per $100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate"). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (See "TAX RATE LIMITATIONS" herein).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above $1.00 per $100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. In 2017, the 85th Texas Legislature appropriated funds in the amount of $1,378,500,000 for the 2018-19 State fiscal biennium for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment". For the 2018-19 State fiscal biennium, the Basic Allotment is $5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index", (ii) district-size adjustments for small and mid-size districts, and (iii) an adjustment for the sparsity of the district's student population. The cost of education index, district-size and population sparsity adjustments, as applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment". The Adjusted Allotment is used to compute a "regular program allotment", as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from $1.00 to $1.06 per $100 of taxable value) will, for most districts, generate the a guaranteed yield of $99.41 and $106.28 per cent per weighted student in average daily attendance ("WADA") in the 2017-18 and 2018-19 State fiscal years, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from $1.06 to $1.17 per $100 of taxable value) and has a guaranteed yield per cent per WADA of $31.95 for the 2018-19 State fiscal biennium. Property-wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of $319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below $1.00 per $100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of $1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of $1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded. State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield ($35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) $40 or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which districts would have been entitled to if the EDA Yield were $35. The yield for the 2017-2018 fiscal year is approximately $37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of $23,750,000 for each of the 2017-18 and 2018-19 State fiscal years for NIFA allotments.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas, and beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed (eliminating revenue targets and ASATR funding).

2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017 and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition

Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain measures in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture".

The equalized wealth levels that subject Chapter 41 districts to recapture for the 2018-2019 State fiscal biennium are set at (i) $514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first $1.00 per $100 of taxable value) and (ii) $319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus $.06 (for most districts, M&O taxes levied above $1.06 per $100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above $1.00 but at or below $1.06 per $100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of $1.06 per $100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

Possible Effects of Wealth Transfer Provisions on the District's Financial Condition

The District's wealth per student for the 2017-18 school year is less than the equalized wealth value. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted level in future school years, it will be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the State Permanent School Fund and the Guarantee Program for school district bonds has been provided by the Texas Education Agency (the "TEA") and is not guaranteed as to accuracy or completeness by, and is not construed as a representation by the District, the Financial Advisor, or the Underwriters.

This disclosure statement provides information relating to the program (the "Guarantee Program") administered by the Texas Education Agency (the "TEA") with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the "Act"). While the Guarantee Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds and to charter district bonds are referred to herein as the "School District Bond Guarantee Program" and the "Charter District Bond Guarantee Program," respectively.

Some of the information contained in this Section may include projections or other forward-looking statements regarding future events or the future financial performance of the Texas Permanent School Fund (the "PSF" or the "Fund"). Actual results may differ materially from those contained in any such projections or forward-looking statements.

History and Purpose

The PSF was created with a $2,000,000 appropriation by the Texas Legislature (the "Legislature") in 1854 expressly for the benefit of the public schools of Texas. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the state, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund is established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, the PSF had as its main sources of revenues capital gains from securities transactions and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF. The State School Land Board ("SLB") maintains the land endowment of the Fund on behalf of the Fund and is authorized to manage the investments of the capital gains, royalties and other investment income relating to the land endowment. The SLB is a three member board, the membership of which consists of the Commissioner of the Texas General Land Office (the "Land Commissioner") and two citizen members, one appointed by the Governor and one by the Texas Attorney General (the "Attorney General"). As of August 31, 2017, the General Land Office (the "GLO") managed approximately 21% of the PSF, as reflected in the fund balance of the PSF at that date.

The Texas Constitution describes the PSF as "permanent." Prior to the approval by Total Return Constitutional Amendment, only the income produced by the PSF was to be used to complement taxes in financing public education.

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the "Commissioner"), bonds properly issued by a school district are fully guaranteed by the corpus of the PSF. See "The School District Bond Guarantee Program."

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. On approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. As described below, the implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service (the "IRS") which was received in September 2013, and the establishment of regulations to govern the program, which regulations became effective on March 3, 2014. See "The Charter District Bond Guarantee Program."

State law also permits charter schools to be chartered and operated by school districts and other political subdivisions, but bond financing of facilities for school district-operated charter schools is subject to the School District Bond Guarantee Program, not the Charter District Bond Guarantee Program.

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see "Capacity Limits for the Guarantee Program"). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General been requested to issue an opinion, with respect to its constitutional validity.

The sole purpose of the PSF is to assist in the funding of public education for present and future generations. Prior to the adoption of the Total Return Constitutional Amendment, all interest and dividends produced by Fund investments flowed into the Available School Fund (the "ASF"), where they are distributed to local school districts and open-enrollment charter schools based on average daily attendance. Any net gains from investments of the Fund accrue to the corpus of the PSF. Prior to the approval by the voters of the State of the Total Return Constitutional Amendment, costs of administering the PSF were allocated to the ASF. With the approval of the Total Return Constitutional Amendment, the administrative costs of the Fund have shifted from the ASF to the PSF. In fiscal year 2017 distributions to the ASF amounted to an estimated $212.49 per student and the total amount distributed to the ASF was $1,056.4 million.

Audited financial information for the PSF is provided annually through the PSF Comprehensive Annual Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Annual Report includes the Message of the Executive Administrator of the Fund (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2017, when filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the federal Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2017 is derived from the audited financial statements of the PSF, which are included in the Annual Report when it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2017 and for a description of the financial results of the PSF for the year ended August 31, 2017, the most recent year for which audited financial information regarding the Fund is available. The 2017 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2017 Annual Report or any other Annual Report. The TEA posts each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, the most recent disclosure for the Guarantee Program, the Statement of Investment Objectives, Policies and Guidelines of the Texas Permanent School Fund, which is codified at 19 Texas Administrative Code, Chapter 33 (the "Investment Policy"), monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/ and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, is available from the SEC at www.sec.gov/edgar.shtml. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the TEA web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment approved a fundamental change in the way that distributions are made to the ASF from the PSF. The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a total-return-based formula instead of the current-income-based formula, which was used from 1964 to the end of the 2003 fiscal year. The Total Return Constitutional Amendment provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium (the "Distribution Measurement Period"), in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the State Board of Education ("SBOE"), taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), at the request of the Chairman of the SBOE with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) that the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." Intergenerational equity is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon its staff and external investment consultant, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of the average daily scholastic attendance State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

See "2011 Constitutional Amendment" below for a discussion of the historic and current Distribution Rates, and a description of amendments made to the Texas Constitution on November 8, 2011 that may affect Distribution Rate decisions.

Since the enactment of a prior amendment to the Texas Constitution in 1964, the investment of the Fund has been managed with the dual objectives of producing current income for transfer to the ASF and growing the Fund for the benefit of future generations. As a result of this prior constitutional framework, prior to the adoption of the 2004 asset allocation policy the investment of the Fund historically included a significant amount of fixed income investments and dividend-yielding equity investments, to produce income for transfer to the ASF.

With respect to the management of the Fund's financial assets portfolio, the single most significant change made to date as a result of the Total Return Constitutional Amendment has been new asset allocation policies adopted from time to time by the SBOE. The SBOE generally reviews the asset allocations during its summer meeting in even numbered years. The first asset allocation policy adopted by the SBOE following the Total Return Constitutional Amendment was in February 2004, and the policy was reviewed and modified or reaffirmed in the summers of 2006, 2008, 2010, 2012, 2014 and 2016. The Fund's investment policy provides for minimum and maximum ranges among the components of each of the asset classifications: equities, fixed income and alternative asset investments. The 2004 asset allocation policy decreased the fixed income target from 45% to 25% of Fund investment assets and increased the allocation for equities from 55% to 75% of investment assets. Subsequent asset allocation policies have continued to diversify Fund assets, and have added an alternative asset allocation to the fixed income and equity allocations. The alternative asset allocation category includes real estate, real return, absolute return and private equity components. Alternative asset classes diversify the SBOE-managed assets and are not as correlated to traditional asset classes, which is intended to increase investment returns over the long run while reducing risk and return volatility of the portfolio. The most recent asset allocation, from 2016, is as follows: (i) an equity allocation of 35% (consisting of U.S. large cap equities targeted at 13%, emerging and international equities at 17% and U.S. small/mid cap equities at 5%), (ii) a fixed income allocation of 19% (consisting of a 12% allocation for core bonds and a 7% allocation for emerging market debt in local currency) and (iii) an alternative asset allocation of 46% (consisting of a private equity allocation of 13%, a real estate allocation of 10%, an absolute return allocation of 10%, a risk parity allocation of 7% and a real return allocation of 6%). The 2016 asset allocation decreased U.S. large cap equities and international equities by 3% and 2%, respectively, and increased the allocations for private equity and real estate by 3% and 2%, respectively.

For a variety of reasons, each change in asset allocation for the Fund, including the 2016 modifications, have been implemented in phases, and that approach is likely to be carried forward when and if the asset allocation policy is again modified. At August 31, 2017, the Fund's financial assets portfolio was invested as follows: 43.16% in public market equity investments; 12.86% in fixed income investments; 9.99% in absolute return assets; 7.02% in private equity assets; 7.40% in real estate assets; 6.83% in risk parity assets; 5.44% in real return assets; 6.99% in emerging market debt; and 0.31% in unallocated cash.

Following on previous decisions to create strategic relationships with investment managers in certain asset classes, in September 2015 and January 2016, the SBOE approved the implementation of direct investment programs in private equity and absolute return assets, respectively, which has continued to reduce administrative costs with respect to those portfolios. The Attorney General has advised the SBOE in Op. Tex. Att'y Gen. No. GA-0998 (2013) ("GA-0998"), that the PSF is not subject to requirements of certain State competitive bidding laws with respect to the selection of investments. In GA-0998, the Attorney General also advised that the SBOE generally must use competitive bidding for the selection of investment managers and other third party providers of investment services, such as record keeping and insurance, but excluding certain professional services, such as accounting services, as State law prohibits the use of competitive bidding for specified professional services. GA-0998 provides guidance to the SBOE in connection with the direct management of alternative investments through investment vehicles to be created by the SBOE, in lieu of contracting with external managers for such services, as has been the recent practice of the PSF. The PSF staff and the Fund's investment advisor are tasked with advising the SBOE with respect to the implementation of the Fund's asset allocation policy, including the timing and manner of the selection of any external managers and other consultants.

In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual institution, and the Fund is managed as an endowment fund with a long-term investment horizon. Under the total-return investment objective, the Investment Policy provides that the PSF shall be managed consistently with respect to the following: generating income for the benefit of the public free schools of Texas, the real growth of the corpus of the PSF, protecting capital, and balancing the needs of present and future generations of Texas school children. As described above, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to the total-return on all investment assets of the Fund over a rolling ten-year period. State law provides that each transfer of funds from the PSF to the ASF is made monthly, with each transfer to be in the amount of one-twelfth of the annual distribution. The heavier weighting of equity securities and alternative assets relative to fixed income investments has resulted in greater volatility of the value of the Fund. Given the greater weighting in the overall portfolio of passively managed investments, it is expected that the Fund will reflect the general performance returns of the markets in which the Fund is invested.

The asset allocation of the Fund’s financial assets portfolio is subject to change by the SBOE from time to time based upon a number of factors, including recommendations to the SBOE made by internal investment staff and external consultants, changes made by the SBOE without regard to such recommendations and directives of the Legislature. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets in the United States and abroad; political and investment considerations including those relating to socially responsible investing; economic impacts relating to domestic and international climate change; development of hostilities in and among nations; cybersecurity issues that affect the securities markets, economic activity and investments, in general, application of the prudent person investment standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and limitations on the number and compensation of internal and external investment staff, which is subject to legislative oversight. The Guarantee Program could also be impacted by changes in State or federal law or the implementation of new accounting standards.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the PSF’s financial assets. In investing the Fund, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The SBOE has adopted a “Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund,” which is codified in the Texas Administrative Code beginning at 19 TAC section 33.1.

The Total Return Constitutional Amendment provides that expenses of managing the PSF are to be paid “by appropriation” from the PSF. In January 2005, at the request of the SBOE, the Attorney General issued a legal opinion, Op. Tex. Att’y Gen. No. GA-0293 (2005), that the Total Return Constitutional Amendment requires that SBOE expenditures for managing or administering PSF investments, including payments to external investment managers, be paid from appropriations made by the Legislature, but that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

Texas law assigns control of the Fund’s land and mineral rights to the three-member SLB, which consists of the elected Commissioner of the GLO, an appointee of the Governor, and an appointee of the Attorney General. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. In 2007, the Legislature established the real estate special fund account of the PSF (the “Real Estate Account”) consisting of proceeds and revenue from land, mineral or royalty interest, real estate investment, or other interest, including revenue received from those sources, that is set apart to the PSF under the Texas Constitution and laws, together with the mineral estate in riverbeds, channels, and the tidelands, including islands. The investment of the Real Estate Account is subject to the sole and exclusive management and control of the SLB and the Land Commissioner, who is also the head of the GLO. The 2007 legislation presented constitutional questions regarding the respective roles of the SBOE and the SLB relating to the disposition of proceeds of real estate transactions to the ASF, among other questions. Amounts in the investment portfolio of the PSF are taken into account by the SBOE for purposes of determining the Distribution Rate. An amendment to the Texas Constitution was approved by State voters on November 8, 2011, which permits the SLB to make transfers directly to the ASF, see “2011 Constitutional Amendment” below.

The SBOE contracts with its securities custodial agent to measure the performance of the total return of the Fund’s financial assets. A consultant is typically retained for the purpose of providing consultation with respect to strategic asset allocation decisions and to assist the SBOE in selecting external fund management advisors. The SBOE also contracts with financial institutions for custodial and securities lending services. Like other State agencies and instrumentalities that manage large investment portfolios, the PSF has implemented an incentive compensation plan that may provide additional compensation for investment personnel, depending upon the criteria relating to the investment performance of the Fund.

As noted above, the Texas Constitution and applicable statutes make the SBOE responsible for investment of the PSF’s financial assets. By law, the Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Commissioner can neither be hired nor dismissed by the SBOE. The Executive Administrator of the Fund is also hired by and reports to the Commissioner. Moreover, although the Fund’s Executive Administrator and his staff implement the decisions of and provide information to the School Finance/PSF Committee of the SBOE and the full SBOE, the SBOE can neither select nor dismiss the Executive Administrator. TEA’s General Counsel provides legal advice to the Executive Administrator and to the SBOE. The SBOE has also engaged outside counsel to advise it as to its duties over the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited in two ways: by State law (the “State Capacity Limit”) and by regulations and a notice issued by the IRS (the “IRS Limit”). Prior to May 20, 2003, the State Capacity Limit was equal to two times the lower of cost or fair market value of the Fund’s assets, exclusive of real estate. During the 78th Regular Session of the Legislature in 2003, legislation was enacted that increased the State Capacity Limit by 25%, to two and one half times the lower of cost or fair market value of the Fund’s assets as estimated by the SBOE and certified by the State Auditor, and eliminated the real estate exclusion from the calculation. Prior to the issuance of the IRS Notice (defined below), the capacity of the program under the IRS Limit was limited to two and one-half times the lower of cost or fair market value of the Fund's assets adjusted by a factor that excluded additions to the Fund made since May 14, 1989. During the 2007 Texas Legislature, Senate Bill 389 ("SB 389") was enacted providing for additional increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provides that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 on the basis of receipt of the IRS Notice.

On December 16, 2009, the IRS published Notice 2010-5 (the "IRS Notice") stating that the IRS will issue proposed regulations amending the existing regulations to raise the IRS limit to 500% of the total cost of the assets held by the PSF as of December 16, 2009. In accordance with the IRS Notice, the amount of any new bonds to be guaranteed by the PSF, together with the then outstanding amount of bonds previously guaranteed by the PSF, must not exceed the IRS limit on the sale date of the new bonds to be guaranteed. The IRS Notice further provides that the IRS Notice may be relied upon for bonds sold on or after December 16, 2009, and before the effective date of future regulations or other public administrative guidance affecting funds like the PSF.

On September 16, 2013, the IRS published proposed regulations (the "Proposed IRS Regulations") that, among other things, would enact the IRS Notice. The preamble to the Proposed IRS Regulations provides that issuers may elect to apply the Proposed IRS Regulations, in whole or in part, to bonds sold on or after September 16, 2013, and before the date that final regulations become effective.

On July 18, 2016, the IRS issued final regulations enacting the IRS Notice (the "Final IRS Regulations"). The Final IRS Regulations are effective for bonds sold on or after October 17, 2016. The IRS Notice, the Proposed IRS Regulations and the Final IRS Regulations establish a static capacity for the Guarantee Program based upon the cost value of Fund assets on December 16, 2009 multiplied by five. On December 16, 2009, the cost value of the Guarantee Program was $23,463,730,608 (estimated and unaudited), thereby producing an IRS Limit of approximately $117.3 billion. The State Capacity Limit is determined on the basis of the cost value of the Fund from time to time multiplied by the capacity multiplier determined annually by the SBOE, but not to exceed a multiplier of five. The capacity of the Guarantee Program will be limited to the lower of the State Capacity Limit or the IRS Limit. On May 21, 2010, the SBOE modified the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules"), and increased the State Law Capacity to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Commissioner may reduce the multiplier to maintain the AAA credit rating of the Guarantee Program, but provide that any changes to the multiplier made by the Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds," below.

At its September 2015 meeting, the SBOE voted to modify the SDBGP Rules and the CDBGP Rules to increase the State Law Capacity from 3 times the cost value multiplier to 3.25 times. At that meeting, the SBOE also approved a new 5% capacity reserve for the Charter District Bond Guarantee Program. The change to the State Law Capacity became effective on February 1, 2016. At its November 2016 meeting, the SBOE again voted to increase the State Law Capacity and, in accordance with applicable requirements for the modification of SDBGP and CDBGP Rules, a second and final vote to approve the increase in the State Law Capacity occurred on February 3, 2017. As a result, the State Law Capacity increased from 3.25 times the cost value multiplier to 3.50 times effective March 1, 2017 and increased again to 3.75 times effective September 1, 2017; however, as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," the SBOE took action at its Winter 2018 meeting to rollback of a portion of the multiplier increase. The regulatory change effecting the rollback will be effective 20 days after filing as adopted with the Texas Register, which is expected to make the change effective in late-March 2018. Based upon the cost basis of the Fund at August 31, 2017, the State Law Capacity increased from $97,933,360,905 on August 31, 2016 to $111,568,711,072 on August 31, 2017.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective September 1, 2009, the Act provides that the SBOE may annually establish a percentage of the cost value of the Fund to be reserved from use in guaranteeing bonds. The capacity of the Guarantee Program in excess of any reserved portion is referred to herein as the "Capacity Reserve." The SDBGP Rules provide for a minimum Capacity Reserve for the overall Guarantee Program of no less than 5%, and provide that the amount of the Capacity Reserve may be increased by a majority vote of the SBOE. The CDBGP Rules provide for an additional 5% reserve of CDBGP capacity. The Commissioner is authorized to change the Capacity Reserve, which decision must be ratified or rejected by the SBOE at its next meeting following any change made by the Commissioner. The current Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the TEA web site at http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, changes in the value of the Fund due to changes in securities markets, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, the implementation of the Charter District Bond Guarantee Program, or an increase in the calculation base of the Fund for purposes of making transfers to the ASF, among other factors, could adversely affect the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general. It is anticipated that the issuance of the IRS Notice and the Proposed IRS Regulations will likely result in a substantial increase in the amount of bonds guaranteed under the Guarantee Program. The implementation of the Charter School Bond Guarantee Program is also expected to increase the amount of guaranteed bonds.

The Act requires that the Commissioner prepare, and the SBOE approve, an annual report on the status of the Guarantee Program (the Annual Report). The State Auditor audits the financial statements of the PSF, which are separate from other State financial statements.

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the SDBGP Rules limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings, and that bonds issued for capital facilities of school districts must have been voted as unlimited tax debt of the issuing district. The Guarantee Program Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.65, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.65.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.67, and are available at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.67.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

As of February 21, 2018 (the most recent date for which data is available), the percentage of students enrolled in open-enrollment charter schools (excluding charter schools authorized by school districts) to the total State scholastic census was approximately 5.5%. As of February 28, 2018, there were 181 active open-enrollment charter schools in the State and there were 719 charter school campuses operating under such charters (though as of such date, five of such campuses' operations have not begun serving students for various reasons). Section 12.101, Texas Education Code, as amended by the Legislature in 2013, limits the number of charters that the Commissioner may grant to 215 charters as of the end of fiscal year 2014, with the number increasing in each fiscal year thereafter through 2019 to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

The Act provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Commissioner is required to instruct the Comptroller to transfer from the Charter

District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Commissioner determines that the charter district is acting in bad faith under the program, the Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of $500,000 the proceeds of which loans were used for a purposes described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the attorney general (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

Beginning in July 2015, TEA began limiting new guarantees under the Charter District Bond Guarantee Program to conform to the Act and, subsequently, with CDBGP Rules that require the maintenance of a capacity reserve for the Charter District Bond Guarantee Program. Following the increase in the Program multiplier in February 2016 and the update of the percentage of students enrolled in open-enrollment charter schools to the total State scholastic census in March 2016, some new capacity became available under the Charter District Bond Guarantee Program, but that capacity was quickly exhausted. In accordance with the action of the SBOE on February 3, 2017, additional capacity for the Charter District Bond Guarantee Program became effective in two increments, implemented on March 1, 2017 and on September 1, 2017 (as described under "2017 Legislative Changes to the Charter District Bond Guarantee Program," an item to reverse the September 1, 2017 increase in the Program multiplier was approved by the SBOE at its Winter 2018 meeting). In addition, legislation enacted during the Legislature's 2017 regular session modifies the manner of calculating the capacity of the Charter District Bond Guarantee Program (the "CDBGP Capacity"), which further increases the amount of the CDBGP Capacity, beginning with State fiscal year 2018, but that provision of the law does not increase overall Program capacity, it merely allocates capacity between the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program" and "2017 Legislative Changes to the Charter District Bond Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Program, or a combination of such circumstances.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. The complete text of SB 1480 can be found at http://www.capitol.state.tx.us/tlodocs/85R/billtext/pdf/SB01480F.pdf#navpanes=0. SB 1480 modified how the CDBGP Capacity will be established under the Act effective as of September 1, 2017, and made other substantive changes to the Act that affects the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the State Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. As of August 31, 2017, the amount of outstanding bond guarantees represented 66.57% of the State Capacity Limit for the Guarantee Program. SB 1480 amended the CDBGP Capacity calculation so that the State Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby potentially substantially increasing the CDBGP Capacity. However, certain provisions of SB 1480, described below, and other additional factors described herein, could result in less than the maximum amount of the potential increase provided by SB 1480 being implemented by the SBOE or otherwise used by charter districts. Still other factors used in determining the CDBGP Capacity, such as the percentage of the charter district scholastic population to the overall public school scholastic population, could, in and of itself, increase the CDBGP Capacity, as that percentage has grown from 3.53% in September, 2012 to 5.5% in February 2018, representing a cumulative growth during that period of 56%. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

SB 1480 provides that the implementation of the new method of calculating the CDBGP Capacity will begin with the State fiscal year that commences September 1, 2021 (the State's fiscal year 2022). However, for the intervening four fiscal years, beginning with fiscal year 2018, SB 1480 provides that the SBOE may establish a CDBGP Capacity that increases the amount of charter district bonds that may be guaranteed by up to a cumulative 20% in each fiscal year (for a total maximum increase of 80% in fiscal year 2021) as compared to the capacity figure calculated under the Act as of January 1, 2017. However, SB 1480 provides that in making its annual determination of the magnitude of an increase for any year, the SBOE may establish a lower (or no) increase if the SBOE determines that an increase in the CDBGP Capacity would likely result in a negative impact on the bond ratings for the Bond Guarantee Program (see "Ratings of Bonds Guaranteed Under the Guarantee Program") or if one or more charter districts default on payment of principal or interest on a guaranteed bond, resulting in a negative impact on the bond ratings of the Bond Guarantee Program. The provisions of SB 1480 that provide for discretionary, incremental increases in the CDBGP expire September 1, 2022. If the SBOE makes a determination for any year based upon the potential ratings impact on the Bond Guarantee Program and modifies the increase that would otherwise be implemented under SB 1480 for that year, the SBOE may also make appropriate adjustments to the schedule for subsequent years to reflect the modification, provided that the CDBGP Capacity for any year may not exceed the limit provided in the schedule set forth in SB 1480. In September 2017, the SBOE voted to authorize the full 20% increase in the amount of charter district bonds that may be guaranteed for fiscal year 2018, which increases the relative capacity of the Charter District Bond Guarantee Program to the School District Bond Guarantee Program for that fiscal year.

Taking into account the enactment of SB 1480 and the increase in the CDBGP Capacity effected thereby, at Winter 2018 meeting the SBOE approved the second of two required readings amending the SDBGP Rules to rollback the multiplier from 3.75 times market value to 3.50 times (to ensure compliance with State administrative law requirements, the rollback is expected to be effective in late March 2018).

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provides that the Commissioner, in making a determination as to whether to approve a guarantee for a charter district, may consider any additional reasonable factor that the Commissioner determines to be necessary to protect the Bond Guarantee Program or minimize risk to the PSF, including: (1) whether the charter district had an average daily attendance of more than 75 percent of its student capacity for each of the preceding three school years, or for each school year of operation if the charter district has not been in operation for the preceding three school years; (2) the performance of the charter district under certain performance criteria set forth in Education Code Sections 39.053 and 39.054; and (3) any other indicator of performance that could affect the charter district's financial performance. Also, SB 1480 provides that the Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Commissioner may decline to approve the application if the Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules previously required the Commissioner to make an investigation of the accreditation status and certain financial criteria for a charter district applying for a bond guarantee, which remain in place.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10 percent of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20 percent of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to three percent (3.00%) of the total amount of outstanding guaranteed bonds issued by charter districts. As of August 31, 2017, the Charter District Reserve Fund represented approximately 0.23% of the guaranteed charter district bonds. SB 1480 also authorized the SBOE to manage the Charter District Reserve Fund in the same manner as it manages the PSF. Previously, the Charter District Reserve Fund was held by the Comptroller, but in September 2017, the SBOE authorized the PSF staff to begin the process of transferring the management of the Reserve Fund to the PSF, where it is expected to be held and invested as a non-commingled fund under the administration of the PSF staff. A target date in Spring 2018 has been established for that change in management of the Reserve Fund to become effective.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. The amount of such State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district. The overall amount of education aid provided by the State for charter schools in any year is also subject to appropriation by the Legislature. The Legislature may base its decisions about appropriations for charter schools on many factors, including the State's economic performance. Further, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding, and such factors are subject to change.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, under current law, open-enrollment charter schools generally do not receive a dedicated funding allocation from the State to assist with the construction and acquisition of new facilities. However, during the 85th Regular Session of the Legislature in 2017, legislation was enacted that, for the first time, provided a limited appropriation in the amount of $60 million for the 2018-2019 biennium for charter districts having an acceptable performance rating. A charter district that receives funding under this program may use the funds to lease or pay property taxes imposed on an instructional facility; to pay debt service on bonds that financed an instructional facility; or for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility. Charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

The maintenance of a State-granted charter is dependent upon on-going compliance with State law and TEA regulations, and TEA monitors compliance with applicable standards. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act establishes a Charter District Reserve Fund, which could in the future be a significant reimbursement resource for the PSF. At January 31, 2018, the Charter District Reserve Fund contained $4,729,390.

Potential Impact of Hurricane Harvey on the PSF

Hurricane Harvey struck coastal Texas on August 26, 2017, resulting in historic levels of rainfall. The TEA believes that the storm impacted more than 1.3 million students enrolled in some 157 school districts, and approximately 58,000 students in 27 charter schools along the Texas Gulf Coast. Many of the impacted school districts and two charter districts have bonds guaranteed by the PSF. It is possible that the affected districts will need to borrow to repair or replace damaged facilities, which could require increased bond issuance and applications to the TEA for PSF bond guarantees. In addition, the storm damage and any lingering economic damage in the area could adversely affect the tax base (for school districts) and credit quality of school districts and charter districts with bonds that are or will be guaranteed by the PSF.

The TEA, members of the Legislature and the Governor, among others, have stated that they are developing programs to provide financial assistance to affected school districts and charter districts, particularly with regard to funding assistance for facility repairs and construction and to offset tax base and/or revenue loss to affected districts. The composition of any final programs that may be implemented cannot be predicted, and are likely to be subject to future State legislative and administrative actions, available amounts of federal and private disaster relief for affected schools, and other factors. In early October, the TEA initiated programs designed to hold school districts and charter districts harmless for the loss of State funding associated with declines in average daily attendance for the remainder of fiscal year 2018. In the past, storm damage has caused multiple year impacts to affected schools with respect to both attendance figures and tax base (for school districts), and the damage caused by Harvey could be well in excess of previous storm damage. TEA conducted a survey of districts affected by the hurricane with respect to the collection of fiscal year 2017 taxes. In general, tax revenues of affected districts appear to have increased for fiscal 2017, but at a somewhat lower rate than had been anticipated. It should be noted that most of the fiscal year 2017 taxes had been collected when the hurricane hit the Texas coast in late August. TEA has not conducted any surveys with respect to fiscal year 2018 taxes, but notes that as of late February 2018 the negative effect of the hurricane on the average daily attendance of districts in the affected area appears to have been less than TEA had initially anticipated.

Most school district and charter district bonds that are guaranteed by the PSF are fixed rate bonds that pay principal on an annual basis and interest on a semiannual basis, in February and August of each year. The hurricane hit the Texas coast after the August 2017 payment dates, so the first payment cycle that could have been affected by the storm was the February 2018 payment date. TEA notes that no district has applied for financial exigency or failed to timely pay bond payments as a result of the hurricane or otherwise. The PSF is managed to maintain liquidity for any draws on the program. Moreover, as described under "The School District Bond Guarantee Program" and "The Charter District Bond Guarantee Program," both parts of the Bond Guarantee Program operate in accordance with the Act as "intercept" programs, providing liquidity for guaranteed bonds, and draws on the PSF are required to be restored from the first State money payable to a school district or a charter district that fails to make a guaranteed payment on its bonds.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, S&P Global Ratings and Fitch Ratings rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See "RATINGS" herein.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value[(1)]	Market Value[(1)]
2013	$25,599,296,902	$33,163,242,374
2014	27,596,692,541	38,445,519,225
2015	29,081,052,900	36,196,265,273
2016	30,128,037,903	37,279,799,335
2017[(2)]	31,870,581,428	41,438,672,573

[(1)] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the TEA uses current, unaudited values for TEA managed investment portfolios and cash held by the SLB. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF by the SLB. The SLB reports that information to the PSF on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

[(2)] At August 31, 2017, mineral assets, sovereign and other lands and internally managed discretionary real estate, external discretionary real estate investments, domestic equities, and cash managed by the SLB had book values of approximately $13.43 million, $247.64 million, $2,797.05 million, $4.71 million, and $3,399.05 million, respectively, and market values of approximately $1,870.22 million, $651.40 million, $2,788.02 million, $2.09 million, and $3,399.05 million, respectively. At January 31, 2018, the PSF had a book value of $32,415,438,326 and a market value of $43,741,388,620. January 31, 2018 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2013	$55,218,889,156
2014	58,364,350,783
2015	63,955,449,047
2016	68,303,328,445
2017	74,266,090,023[2]

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

[2] As of August 31, 2017 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts over the remaining life of the bonds guaranteed by the Guarantee Program was $117,195,729,512, of which $42,929,639,489 represents interest to be paid. As shown in the table above, at August 31, 2017, there were $74,266,090,023 in principal amount of bonds guaranteed under the Guarantee Program and based on the cost value of the Fund at August 31, 2017 the capacity of the Guarantee Program at that date was $111,568,711,072. The Program capacity at August 31, 2017 takes into account the increases in the cost value multiplier effective February 1, 2016 and March 1, 2017, which cumulatively increased the multiplier from 3 times to 3.50 times, but does not take into account the September 1, 2017 increase in the multiplier to 3.75. Using the IRS Limit, which is the lower of the two federal and State capacity limits of Program capacity, of $117,318,653,038, at August 31, 2017 98.28% of Program capacity was available to the School District Bond Guarantee Program and 1.72% was available to the Charter District Bond Guarantee Program.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2014[2]	2,869	$58,061,805,783	10	$302,545,000	2,879	$58,364,350,783
2015	3,089	63,197,514,047	28	757,935,000	3,117	63,955,449,047
2016	3,244	67,342,303,445	35	961,025,000	3,279	68,303,328,445
2017[3]	3,253	72,884,480,023	40	1,381,610,000	3,293	74,266,090,023

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

[2] Fiscal 2014 was the first year of operation of the Charter District Bond Guarantee Program.

[3] At January 31, 2018 (based on unaudited data, which is subject to adjustment), there were $76,112,811,568 of bonds guaranteed under the Guarantee Program, representing 3,354 school district issues, aggregating $74,700,936,568 in principal amount and 43 charter district issues, aggregating $1,411,875,000 in principal amount. At January 31, 2018, the capacity allocation of the Charter District Bond Guarantee Program was $2,013,789,828 (based on the then effective capacity multiplier of 3.75 times and on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2017

The following discussion is derived from the Annual Report for the year ended August 31, 2017, including the Message of the Executive Administrator of the Fund and the Management's Discussion and Analysis contained therein. Reference is made to the Annual Report, when filed, for the complete Message and MD&A. Investment assets managed by the fifteen member SBOE are referred to throughout this MD&A as the PSF(SBOE) assets. As of August 31, 2017, the Fund's land, mineral rights and certain real assets are managed by the three-member SLB and these assets are referred to throughout as the PSF(SLB) assets. The current PSF asset allocation policy includes an allocation for real estate investments, and as such investments are made, and become a part of the PSF investment portfolio, those investments will be managed by the SBOE and not the SLB.

At the end of fiscal 2017, the Fund balance was $41.4 billion, an increase of $4.2 billion from the prior year. This increase is primarily due to overall increases in value of all asset classes in which the Fund has invested. During the year, the SBOE continued implementing the long term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(SBOE) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2017, were 11.96%, 8.26% and 5.49%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). In addition, the SLB continued its shift into externally managed real asset investment funds, and the one-year, three-year, and five-year annualized total returns for the PSF(SLB) real assets, including cash, were 10.35%, 7.19%, and 7.77%, respectively.

The market value of the Fund's assets is directly impacted by the performance of the various financial markets in which the assets are invested. The most important factors affecting investment performance are the asset allocation decisions made by the SBOE and SLB. The current SBOE long term asset allocation policy allows for diversification of the PSF(SBOE) portfolio into alternative asset classes whose returns are not as positively correlated as traditional asset classes. The implementation of the long term asset allocation will occur over several fiscal years and is expected to provide incremental total return at reduced risk. As of August 31, 2017, the PSF(SBOE) portion of the Fund had diversified into emerging market and large cap international equities, absolute return funds, real estate, private equity, risk parity, real return Treasury Inflation-Protected Securities, real return commodities, and emerging market debt.

As of August 31, 2017, the SBOE has approved and the Fund made capital commitments to externally managed real estate investment funds in a total amount of $3.31 billion and capital commitments to private equity limited partnerships for a total of $3.83 billion. Unfunded commitments at August 31, 2017, totaled $1.35 billion in real estate investments and $1.54 billion in private equity investments.

The PSF(SLB) portfolio is generally characterized by three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests. Discretionary real assets investments consist of externally managed real estate, infrastructure, and energy/minerals investment funds; internally managed direct real estate investments, and cash. Sovereign and other lands consist primarily of the lands set aside to the PSF when it was created. Mineral interests consist of all of the minerals that are associated with PSF lands. The investment focus of PSF(SLB) discretionary real assets investments has shifted from internally managed direct real estate investments to externally managed real assets investment funds. The PSF(SLB) makes investments in certain limited partnerships that legally commit it to possible future capital contributions. At August 31, 2017, the remaining commitments totaled approximately $2.042 billion.

The PSF(SBOE)'s investment in domestic large cap, domestic small/mid cap, international large cap, and emerging market equity securities experienced returns of 16.30%, 12.80%, 19.04%, and 26.28%, respectively, during the fiscal year ended August 31, 2017. The PSF(SBOE)'s investment in domestic fixed income securities produced a return of 1.61% during the fiscal year and absolute return investments yielded a return of 7.32%. The PSF(SBOE) real estate and private equity investments returned 10.52% and 16.35%, respectively. Risk parity assets produced a return of 8.77%, while real return assets yielded 2.38%. Emerging market debt produced a return of 11.84%. Combined, all PSF(SBOE) asset classes produced an investment return of 11.96% for the fiscal year ended August 31, 2017, out-performing the benchmark index of 10.66% by approximately 130 basis points. All PSF(SLB) real assets (including cash) returned 10.35% for the fiscal year ending August 31, 2017.

For fiscal year 2017, total revenues, inclusive of unrealized gains and losses and net of security lending rebates and fees, totaled $5.4 billion, an increase of $2.7 billion from fiscal year 2016 earnings of $2.7 billion. This increase reflects the performance of the securities markets in which the Fund was invested in fiscal year 2017. In fiscal year 2017, revenues earned by the Fund included lease payments, bonuses and royalty income received from oil, gas and mineral leases; lease payments from commercial real estate; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net change in the fair value of the investment portfolio; and, other miscellaneous fees and income.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the SLB to manage the land endowment, as well as operational costs of the Fund, including external management fees paid from appropriated funds. Total operating expenditures, net of security lending rebates and fees, increased 30.6% for the fiscal year ending August 31, 2017. This increase is primarily attributable to an increase in PSF(SLB) operational costs and generally larger quantities of purchased gas for resale in the State Energy Management Program, which is administered by the SLB as part of the Fund.

The Fund supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. For fiscal years 2016 and 2017, the distribution from the SBOE to the ASF totaled $1.06 billion and $1.06 billion, respectively. There was no contribution to the ASF by the SLB in fiscal year 2017.

At the end of the 2017 fiscal year, PSF assets guaranteed $74.27 billion in bonds issued by 858 local school districts and charter districts, the latter of which entered into the Program during the 2014 fiscal year. Since its inception in 1983, the Fund has guaranteed 6,980 school district and charter district bond issues totaling $166.3 billion in principal amount. During the 2017 fiscal year, the number of outstanding issues guaranteed under the Guarantee Program increased by 14, or 0.4%. The dollar amount of guaranteed school and charter bond issues outstanding increased by $6.0 billion or 8.7%. The guarantee capacity of the Fund increased by $13.9 billion, or 13.9%, during fiscal year 2017 due to continued growth in the cost basis of the Fund and the increase in the cost multiplier (from 3.25 to 3.50, as discussed above) used to calculate Program capacity.

2011 Constitutional Amendment

On November 8, 2011, a referendum was held in the State as a result of legislation enacted that year that proposed amendments to various sections of the Texas Constitution pertaining to the PSF. At that referendum, voters of State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and, in addition, approved amendments that effected an increase to the base amount used in calculating the Distribution Rate from the Fund to the ASF, and authorized the SLB to make direct transfers to the ASF, as described below.

The amendments approved at the referendum included an increase to the base used to calculate the Distribution Rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). The value of those assets were already included in the value of the Fund for purposes of the Guarantee Program, but prior to the amendment had not been included in the calculation base for purposes of making transfers from the Fund to the ASF. While the amendment provided for an increase in the base for the calculation of approximately $2 billion, no new resources were provided for deposit to the Fund. As described under "The Total Return Constitutional Amendment" the SBOE is prevented from approving a Distribution Rate or making a pay out from the Fund if the amount distributed would exceed 6% of the average of the market value of the Fund, excluding real property in the Fund, but including discretionary real asset investments on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium or if such pay out would exceed the Ten Year Total Return.

If there are no reductions in the percentage established biennially by the SBOE to be the Distribution Rate, the impact of the increase in the base against which the Distribution Rate is applied will be an increase in the distributions from the PSF to the ASF. As a result, going forward, it may be necessary for the SBOE to reduce the Distribution Rate in order to preserve the corpus of the Fund in accordance with its management objective of preserving intergenerational equity.

The Distribution Rates for the Fund were set at 3.5%, 2.5%, 4.2%, 3.3% and 3.5% for each of two year periods 2008-2009, 2010-2011, 2012-2013, 2014-2015 and 2016-2017, respectively. In September 2017, the SBOE approved a $2.5 billion distribution to the ASF for State fiscal biennium 2018-2019, to be made in equal monthly increments of $102.99 million, which represents a 3.7% Distribution Rate for the biennium and a per student distribution of $248.58, based on 2017 preliminary student average daily attendance of 4,971,656.277.

Changes in the Distribution Rate for each biennial period has been based on a number of financial and political reasons, as well as commitments made by the SLB in some years to transfer certain sums to the ASF. The new calculation base described above has been used to determine all payments to the ASF from the Fund beginning with the 2012-13 biennium. The broader base for the Distribution Rate calculation could increase transfers from the PSF to the ASF, although the effect of the broader calculation base has been somewhat offset since the 2014-2015 biennium by the establishment by the SBOE of somewhat lower Distribution Rates than for the 2012-2013 biennium. In addition, the changes made by the amendment that increased the calculation base that could affect the corpus of the Fund include the decisions that are made by the SLB or others that are, or may in the future be, authorized to make transfers of funds from the PSF to the ASF.

The constitutional amendments approved on November 8, 2011 also provide authority to the GLO or any other entity other than the SBOE that has responsibility for the management of land or other properties of the Fund to determine whether to transfer an amount each year from Fund assets to the ASF revenue derived from such land or properties, with the amount transferred limited to $300 million. Any amount transferred to the ASF by an entity other than the SBOE is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

Other Events and Disclosures

The State Investment Ethics Code governs the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. In accordance with the provisions of the State Investment Ethics Code, the SBOE periodically modifies its code of ethics, which occurred most recently in July 2016. The SBOE code of ethics includes prohibitions on sharing confidential information, avoiding conflict of interests and requiring disclosure filings with respect to contributions made or received in connection with the operation or management of the Fund. The code of ethics applies to members of the SBOE as well as to persons who are responsible by contract or by virtue of being a TEA PSF staff member for managing, investing, executing brokerage transactions, providing consultant services, or acting as a custodian of the PSF, and persons who provide investment and management advice to a member of the SBOE, with or without compensation under certain circumstances. The code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.5 et seq., and is available on the TEA web site at http://ritter.tea.state.tx.us/rules/tac/chapter033/ch033a.html#33.5.

In addition, the GLO has established processes and controls over its administration of real estate transactions and is subject to provisions of the Texas Natural Resources Code and its own internal procedures in administering real estate transactions for assets it manages for the Fund. A report of the State Auditor released in March 2016 noted that based on an audit of certain real estate transactions managed by the GLO, during the period from September 2009 to May 2015, the GLO failed to comply with certain of such legal requirements relating to conflict of interest reporting, complying with written procedures and maintenance of documentation and other statutory and procedural requirements. That report, which includes the response of GLO management agreeing to the recommendations of the report, is available at http://www.sao.texas.gov/reports/main/16-018.pdf.

Since 2007, TEA has made supplemental appropriation requests to the Legislature for the purpose of funding the implementation of the 2008 Asset Allocation Policy, but those requests have been denied or partly funded. In the 2011 legislative session, the Legislature approved an increase of 31 positions in the full-time equivalent employees for the administration of the Fund, which was funded as part of an $18 million appropriation for each year of the 2012-13 biennium, in addition to the operational appropriation of $11 million for each year of the biennium. The TEA has begun increasing the PSF administrative staff in accordance with the 2011 legislative appropriation, and the TEA received an appropriation of $30.0 million and $30.2 million for the administration of the PSF for fiscal years 2014 and 2015, respectively, and $30.2 million for each of the fiscal years 2016 and 2017.

As of August 31, 2017, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

The SBOE has adopted an investment policy rule (the "TEA Rule") pertaining to the PSF and the Guarantee Program. The TEA Rule is codified in Section I of the TEA Investment Procedure Manual, which relates to the Guarantee Program and is posted to the TEA web site at http://tea.texas.gov/Finance_and_Grants/Texas_Permanent_School_Fund/Texas_Permanent_School_Fund_Disclosure_Statement_-_Bond_Guarantee_Program/. The most recent amendment to the TEA Rule was adopted by the SBOE on November 19, 2010, and is summarized below. Through the adoption of the TEA Rule and its commitment to guarantee bonds, the SBOE has made the following agreement for the benefit of the issuers, holders and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Rule obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Rule pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA agreement, the TEA will be obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at http://emma.msrb.org/IssueView/NonCUSIP9IssueDetails.aspx?id=ER355077 or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

Annual Reports

The TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this Official Statement under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information also includes the Annual Report. The TEA will update and provide this information within six months after the end of each fiscal year.

The TEA may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is reported by the State of Texas as a permanent fund and accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the modified accrual basis of accounting, all revenues reported are recognized based on the criteria of availability and measurability. Assets are defined as available if they are in the form of cash or can be converted into cash within 60 days to be usable for payment of current liabilities. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related fund liability is incurred.

The State's current fiscal year end is August 31. Accordingly, the TEA must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA will notify the MSRB of the change.

Material Event Notices

The TEA will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA will provide timely notice of any failure by the TEA to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The TEA has agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

The TEA has agreed to update information and to provide notices of material events only as described above. The TEA has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The TEA makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The TEA disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the TEA to comply with its agreement.

The continuing disclosure agreement of the TEA is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial and operating data concerning such entity and notices of material events relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in the Official Statement.

This continuing disclosure agreement may be amended by the TEA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

During the last five years, the TEA has not failed to substantially comply with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

TAX RATE LIMITATIONS

Maintenance Tax

At an election held on December 5, 1964, voters in the District approved a maximum combined maintenance and debt service tax rate for the District of $1.95 (including a maximum debt service tax rate of $1.00) to be levied pursuant to authority conferred by Article 2784g, Vernon's Texas Civil Statutes, as amended. Under such law and this election, the maximum maintenance tax rate that the District could levy was the difference between $1.95 and the District's then current debt service tax rate. With the adoption of the Reform Legislation, for fiscal years beginning with the 2006-07 fiscal year, the M&O Tax Rate per $100 of assessed valuation that may be adopted by the District may not exceed the sum of (i) the rate of $0.17, and (ii) the product of the "state compression percentage" multiplied by $1.61. The state compression percentage was 66.67% for fiscal years 2007-08 through 2017-18. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner.

For a more detailed description of the state compression percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM". Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate."

Debt Service Tax

Although the District has previously approved a maximum debt service tax rate of $1.00 under Article 2784g, such limit would apply only if all prior bonds issued by the District were issued as limited tax bonds. The District has authorized and issued unlimited tax bonds under the Texas Education Code and predecessor statutes. Section 45.003(e) of the Education Code requires a district demonstrate to the Texas Attorney General the District's projected ability to pay all bonds (other than bonds authorized by an election held on or before April 1, 1991 and issued before September 1, 1992, or bonds issued to refund such bonds) at a debt service rate of not more than $0.50. All issuers of unlimited tax bonds (such as the District) must satisfy the $0.50 bond test.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay new debt secured by the district's debt service tax from a tax rate of $0.50, and to pay all debt and operating expenses which must be paid from receipts of the district's maintenance tax from a tax not to exceed the maintenance tax limit described under the caption "TAX RATE LIMITATIONS." In demonstrating compliance with the requirement, a district may take into account State equalization payments, and, effective September 1, 1997, if compliance with such requirement is contingent on receiving State assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund of the bond the amount of state assistance received or to be received in that year. The State Attorney General reviews a district's calculations showing the compliance with such test as a condition to the legal approval of the debt. The Bonds are issued in part as "new money" bonds, and are subject to the threshold tax rate test. See also "TAX RATE LIMITATIONS".

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2017, the District made a contribution on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "Note 8 – Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by the TRS. Contribution requirements to TRS-Care are legally established each biennium by the Texas legislature. For the year ended August 31, 207, the District's contribution was $963,583. See "Note 9 – Retiree Health Plan" to the Financial Statements.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings, Inc. ("Fitch") based upon the guaranteed repayment thereof under the Texas Permanent School Fund Guarantee Program. The District has an underlying, unenhanced rating, including the Bonds, of "Aa2" by Moody's and "AA+" by Fitch.

An explanation of the significance of such rating may be obtained from Moody's and Fitch. The rating of the Bonds by Moody's and Fitch reflects only the view of said company at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. The rating of the Bonds is not a recommendation to buy, sell or hold the Bonds, and there is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's and Fitch, if, in the judgment of Moody's and Fitch, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bracewell LLP, Bond Counsel to the District ("Bond Counsel"). The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Mahomes Bolden PC, Dallas, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee", "Payment Record", "Sources and Uses of Funds", and the third paragraph under "Notice of Redemption and DTC Notices", as to which no opinion will be expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Tax Exemption

In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's financial advisor, and the Underwriters with respect to matters solely within the knowledge of the District, the District's financial advisor, and the Underwriters, respectively, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Order or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of the interest on, or the acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the Bondholders may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Legislative Changes

Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

INVESTMENT POLICIES

Investments

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of the District. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit and share certificates (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (5) or in any other manner and amount provided by law for District deposits; or (ii) where: (a) the funds are invested by the District through a depository institution that has a main office or branch office in the State and that is selected by the District; (b) the depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the District with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the District receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the District through the depository institution selected under clause (ii)(a) above (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) and require the security being purchased by the District to be pledged to the District, held in the District's name and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer or a financial institution doing business in the State, (8) bankers' acceptances with the remaining term of 270 days or less from the date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least A-1 or P-1 or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (11) no-load mutual funds registered with the United States Securities and Exchange Commission that: have an average weighted maturity of less than two years; invest exclusively in obligations described in the preceding clauses and clause (12); conform to the requirements relating to the eligibility of investment pools to receive and invest funds, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days, and (13) obligations issued, assumed or guaranteed by the State of Israel. Texas law also permits the District to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in Chapter 2256, as amended, Texas Government Code.

Entities such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (13) above, (b) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) and clause (13) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

As a school district that qualifies as an "issuer" under Chapter 1371, as amended, Texas Government Code, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has taken no such steps with respect to investment in corporate bonds, nor does it currently intend to do so.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

State law also requires that District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board.

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of November 30, 2017, the District had approximately $223,428,596 (unaudited) invested in public investment pools (which generally operate as a money market equivalent) and $6,111,682 (unaudited) in a checking/interest bearing account at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the SEC under the United States Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure Bonds of the TEA, see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the electronic EMMA) system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2018. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Availability of Information

Effective July 1, 2009, the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. Notwithstanding the foregoing, the District's 2016 Operating Data and 2016 Comprehensive Annual Financial Report (collectively, the "2016 Financial Information") were inadvertently not linked by EMMA to certain CUSIPs of the District's outstanding Galena Park Independent School District $40,054,474.85 Unlimited Tax School Building and Refunding Bonds, Series 1996 (the "Outstanding Series 1996 Bonds"). On April 6, 2018, EMMA correctly linked the 2016 Financial Information to the CUSIPs for the Outstanding Series 1996 Bonds.

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding pending or to their knowledge threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $_______ plus accrued interest from the Dated Date to the date of initial delivery. The Underwriters obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws but the Underwriters do not guarantee the accuracy or completeness of such information.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriters. This Official Statement will be approved by the Pricing Officer of the District for distribution in accordance with the provisions of Rule 15c2-12.

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Schedule I - Schedule of Refunded Bonds*

Unlimited Tax School Building Bonds, Series 2008

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded		Call Date	Principal Amount Unrefunded
8/15/2019		$ 275,000.00	5.250%	$ 275,000.00	(1)	August 15, 2018 @ Par	-
8/15/2020		285,000.00	5.250%	285,000.00	(1)	August 15, 2018 @ Par	-
8/15/2021		295,000.00	5.250%	295,000.00	(1)	August 15, 2018 @ Par	-
8/15/2022	363334Z71	310,000.00	5.250%	310,000.00	(1)	August 15, 2018 @ Par	-
8/15/2023		320,000.00	5.250%	320,000.00	(2)	August 15, 2018 @ Par	-
8/15/2024		335,000.00	5.250%	335,000.00	(2)	August 15, 2018 @ Par	-
8/15/2025	3633342A0	350,000.00	5.250%	350,000.00	(2)	August 15, 2018 @ Par	-
8/15/2026		365,000.00	4.750%	365,000.00	(3)	August 15, 2018 @ Par	-
8/15/2027		380,000.00	4.750%	380,000.00	(3)	August 15, 2018 @ Par	-
8/15/2028	3633342D4	395,000.00	4.750%	395,000.00	(3)	August 15, 2018 @ Par	-
8/15/2029		415,000.00	4.750%	415,000.00	(4)	August 15, 2018 @ Par	-
8/15/2030	3633342F9	430,000.00	4.750%	430,000.00	(4)	August 15, 2018 @ Par	-
8/15/2031		450,000.00	5.000%	450,000.00	(5)	August 15, 2018 @ Par	-
8/15/2032		470,000.00	5.000%	470,000.00	(5)	August 15, 2018 @ Par	-
8/15/2033		5,000,000.00	5.000%	5,000,000.00	(5)	August 15, 2018 @ Par	-
8/15/1934	3633342K8	5,625,000.00	5.000%	5,625,000.00	(5)	August 15, 2018 @ Par	-
		$ 15,700,000.00		$ 15,700,000.00			$ -

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $1,165,000 that matures August 15, 2022.

(2) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $1,005,000 that matures August 15, 2025.

(3) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $1,140,000 that matures August 15, 2028.

(4) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $845,000 that matures August 15, 2030.

(5) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of $11,545,000 that matures August 15, 2034.

**Preliminary, subject to change.*

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2017/18 Total Valuation…………………………………………………………………………………………		$ 9,672,127,597
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 314,999,936	
State Over-65 Exemption	37,808,234	
Local Optional Over-65 Exemption Loss	20,872,248	
Disabled Exemption	8,372,130	
Local Optional Exemption	250,869,761	
Veterans Exemption	1,549,948	
Pollution Control	348,423,679	
Productivity Loss	11,906,905	
Disabled Veteran Donated Residence Homestead Exemption	84,882	
Prorations & Other Partial Exemptions	323,178	
Homestead Cap Loss	95,161,460	
	$ 1,090,372,361	
2017/18 Net Taxable Valuation ………………………………………………………………………………		$ 8,581,755,236

(1) Source: Comptroller of Public Accounts-Property Tax Division. The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the Official Statement.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers, which totaled $52,044,078 for 2017/18.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding [1]		$ 233,395,033
Less: The Refunded Bonds [2]		(15,700,000)
Plus: The Bonds [2]		110,700,000
Total Unlimited Tax Bonds [1] [2]		328,395,033
Less: Interest & Sinking Fund Balance (As of August 31, 2017) [3]		(8,430,836)
Net General Obligation Debt		$ 319,964,197
Ratio of Net G.O. Debt to Net Taxable Valuation [4]	3.73%	
2018 Population Estimate	85,337	
Per Capita Net Taxable Valuation	$100,563	
Per Capita Net G.O. Debt	$3,749	

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Preliminary, subject to change.
(3) Source: Galena Park ISD Audited Financial Statements.
(4) The ratio of Net Obligations to Net Taxable Valuation above does not include the Maintenance Tax Notes or the school bus loan which are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District (See "OTHER OBLIGATIONS - MAINTENANCE TAX NOTES " in this Appendix A.) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2017" in Appendix D for more information relative to the District's obligations.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation [1]	Tax Rate	% Collections [3] Current [4]	Total [4]
2006/07	$ 4,285,048,074	$ 1.7150 [5]	97.56%	100.38%
2007/08	4,895,335,935	1.4309 [5]	98.12%	100.69%
2008/09	5,522,164,939	1.4559	97.50%	99.37%
2009/10	5,760,037,347	1.4784	97.35%	99.33%
2010/11	5,529,155,987	1.5134	98.27%	101.08%
2011/12	5,574,094,432	1.5134	98.74%	101.37%
2012/13	6,310,996,787	1.5134	98.53%	99.70%
2013/14	6,458,013,104	1.5134	98.63%	100.04%
2014/15	7,506,397,132	1.5134	97.44%	98.39%
2015/16	7,969,228,194 [2]	1.5134	98.37%	100.99%
2016/17	8,291,803,545 [2]	1.5633	98.17%	99.45%
2017/18	8,581,755,236 [2]	1.5633	(In Process of Collection)	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the Official Statement.
(3) Source: Galena Park ISD Audited Financial Statements.
(4) Excludes penalties and interest.
(5) The declines in the District's Maintenance & Operation Tax for the 2006/07 and 2007/08 fiscal years are a function of House Bill 1 adopted by the Texas Legislature in May 2006. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX RATE DISTRIBUTION [1]

	2013/14	2014/15	2015/16	2016/17	2017/18
Maintenance & Operations	$1.2433	$1.2433	$1.2433	$1.2433	$1.2433
Debt Service	$0.2701	$0.2701	$0.2701	$0.3200	$0.3200
Total Tax Rate	$1.5134	$1.5134	$1.5134	$1.5633	$1.5633

(1) On September 15, 2012, the District successfully held a tax ratification election.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2006/07	$ 4,285,048,074	$ 224,197,048	5.23%
2007/08	4,895,335,935	234,075,886	4.78%
2008/09	5,522,164,939	225,607,489	4.09%
2009/10	5,760,037,347	233,313,259	4.05%
2010/11	5,529,155,987	223,176,488	4.04%
2011/12	5,574,094,432	215,357,980	3.86%
2012/13	6,310,996,787	205,045,212	3.25%
2013/14	6,458,013,104	195,248,669	3.02%
2014/15	7,506,397,132	177,169,349	2.36%
2015/16	7,969,228,194	165,657,534	2.08%
2016/17	8,291,803,545	233,395,033	2.81%
2017/18	8,581,755,236	316,005,509 [3]	3.68%

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement, "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2017" in Appendix D for more information.
(3) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Galena Park, City of	$ 915,000	100.00%	$ 915,000
Harris Co	2,208,674,361	1.89%	41,743,945
Harris Co Dept of Ed	6,555,000	1.89%	123,890
Harris Co Flood Control	83,075,000	1.89%	1,570,118
Harris Co FWSD #47	5,830,000	22.50%	1,311,750
Harris Co FWSD #51	10,305,000	100.00%	10,305,000
Harris Co Hosp Dist	59,490,000	1.89%	1,124,361
Harris Co MUD #8	3,460,000	100.00%	3,460,000
Harris Co MUD #53	15,075,000	27.20%	4,100,400
Harris Co MUD #285	54,665,000	69.67%	38,085,106
Harris Co Toll Road	-	1.89%	-
Harris Co WC&ID #36	11,050,000	100.00%	11,050,000
Houston, City of	3,754,693,100	0.32%	12,015,018
Jacinto City, City of	878,397	34.59%	303,838
Port of Houston Auth	638,829,397	1.89%	12,073,876
San Jacinto CCD	381,881,805	16.18%	61,788,476
Total Overlapping Debt [1]			$ 199,970,776
Galena Park Independent School District [2] [3]			319,964,197
Total Direct & Overlapping Debt			$519,934,972.52
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		6.06%	
Per Capita Direct & Overlapping Debt		$6,093	

(1) Equals gross-debt less self-supporting debt.
(2) Preliminary, subject to change.
(3) Includes the Bonds and excludes the Refunded Bonds. Excludes interest accreted on outstanding capital appreciation bonds.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

PRINCIPAL TAXPAYERS [1]

2017/18 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Oil Tanking Houston Inc.	Industrial	$ 403,174,767	4.70%
Helmerich & Payne, Inc.	Industrial	397,282,275	4.63%
Higman Barge Lines Inc (FKA Maryland Marine)	Industrial	349,405,094	4.07%
Kinder Morgan	Oil & Gas	271,634,445	3.17%
Epik Terminaling	Oil & Gas	264,527,091	3.08%
Magellan Terminal Holdings	Industrial	192,829,614	2.25%
Houston Fuel Oil	Oil & Gas	174,808,439	2.04%
Chevron Chemical Co.	Oil & Gas	144,156,670	1.68%
Targa Midstream	Oil & Gas	134,978,521	1.57%
Shell Oil Co.	Oil & Gas	134,749,386	1.57%
		$ 2,467,546,302	28.75%

2016/17 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Oil Tanking Houston Inc.	Industrial	$ 419,361,424	5.06%
Helmerich & Payne, Inc.	Industrial	324,334,174	3.91%
GE Packaged Power	Industrial	268,661,315	3.24%
Epik Terminaling	Oil & Gas	212,097,137	2.56%
Houston Fuel Oil	Oil & Gas	178,015,089	2.15%
Magellan Terminal Holdings	Industrial	176,046,794	2.12%
Shell Oil Co.	Oil & Gas	138,141,536	1.67%
Targa Midstream	Oil & Gas	136,528,976	1.65%
Chevron Chemical Co.	Oil & Gas	127,542,979	1.54%
Stolt Nielsen Inc.	Oil & Gas	114,684,467	1.38%
		$ 2,095,413,891	25.27%

2015/16 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Oil Tanking Houston Inc.	Industrial	$ 326,508,674	4.10%
Helmerich & Payne, Inc.	Industrial	304,568,095	3.82%
GE Packaged Power	Industrial	266,356,015	3.34%
Kinder Morgan	Oil & Gas	219,640,272	2.76%
Magellan Terminal Holdings	Industrial	181,702,758	2.28%
National Oilwell Inc.	Oil & Gas	171,949,877	2.16%
Houston Fuel Oil	Oil & Gas	164,441,922	2.06%
Higman Barge Lines Inc	Industrial	158,140,446	1.98%
Chevron Chemical Co.	Oil & Gas	156,361,165	1.96%
Targa Midstream	Oil & Gas	138,705,292	1.74%
		$ 2,088,374,516	26.21%

(1) Source: Comptroller of Public Accounts - Property Tax Division and the Municipal Advisory Council of Texas.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

Category	2017/18	% of Total	2016/17	% of Total	2015/16	% of Total
Real, Residential, Single-Family	$ 1,929,379,632	19.95%	$ 1,813,318,318	19.38%	$ 1,602,764,914	18.08%
Real, Residential, Multi-Family	281,334,737	2.91%	268,224,375	2.87%	253,968,036	2.86%
Real, Vacant Lots/Tracts	68,975,740	0.71%	79,418,666	0.85%	65,951,980	0.74%
Real, Acreage	11,970,947	0.12%	10,504,623	0.11%	10,310,639	0.12%
Real, Farm & Ranch Improvements	22,004,786	0.23%	18,811,389	0.20%	21,435,365	0.24%
Real, Commercial & Industrial	3,178,060,006	32.86%	2,876,300,183	30.73%	2,636,492,565	29.74%
Oil & Gas	10,031,890	0.10%	7,085,920	0.08%	10,798,010	0.12%
Utilities	129,731,323	1.34%	131,090,620	1.40%	123,168,676	1.39%
Tangible Personal, Commercial	880,773,906	9.11%	641,178,144	6.85%	678,833,165	7.66%
Tangible Personal, Industrial	3,147,405,719	32.54%	3,498,994,095	37.39%	3,448,681,187	38.90%
Tangible Personal, Mobile Homes & Other	9,825,948	0.10%	9,337,547	0.10%	9,236,372	0.10%
Tangible Personal, Residential Inventory	-	0.00%	1,779,139	0.02%	2,166,328	0.02%
Tangible Personal, Special Inventory	2,632,963	0.03%	2,396,859	0.03%	2,682,458	0.03%
Total Appraised Value	$ 9,672,127,597	100.00%	$ 9,358,439,878	100.00%	$ 8,866,489,695	100.00%
Less:						
Homestead Cap Adjustment	$ 95,161,460		$ 102,657,471		$ 55,418,437	
Productivity Loss	11,906,905		10,440,767		10,244,827	
Exemptions	983,303,996 [2]		953,538,095 [2]		831,598,237 [2]	
Total Exemptions/Deductions [3]	$ 1,090,372,361		$ 1,066,636,333		$ 897,261,501	
Net Taxable Assessed Valuation	$ 8,581,755,236		$ 8,291,803,545		$ 7,969,228,194	

Category	2014/15	% of Total	2013/14	% of Total	2012/13	% of Total
Real, Residential, Single-Family	$ 1,440,083,841	17.60%	$ 1,370,506,968	19.52%	$ 1,348,199,942	19.61%
Real, Residential, Multi-Family	228,642,322	2.79%	214,047,872	3.05%	202,698,057	2.95%
Real, Vacant Lots/Tracts	64,530,792	0.79%	61,711,781	0.88%	57,957,343	0.84%
Real, Acreage	7,150,663	0.09%	7,712,884	0.11%	28,940,109	0.42%
Real, Farm & Ranch Improvements	22,184,730	0.27%	22,997,422	0.33%	-	0.00%
Real, Commercial & Industrial	2,191,154,568	26.78%	1,768,444,721	25.19%	1,675,766,405	24.37%
Oil & Gas	14,315,290	0.17%	16,369,257	0.23%	24,161,070	0.35%
Utilities	124,572,247	1.52%	110,700,751	1.58%	98,804,114	1.44%
Tangible Personal, Commercial	615,664,694	7.52%	330,717,267	4.71%	337,069,653	4.90%
Tangible Personal, Industrial	3,462,315,393	42.31%	3,101,723,437	44.19%	3,088,286,876	44.91%
Tangible Personal, Mobile Homes & Other	8,672,667	0.11%	8,674,483	0.12%	8,458,598	0.12%
Tangible Personal, Residential Inventory	895,270	0.01%	3,338,621	0.05%	3,869,201	0.06%
Tangible Personal, Special Inventory	2,409,256	0.03%	2,669,091	0.04%	2,465,704	0.04%
Total Appraised Value	$ 8,182,591,733	100.00%	$ 7,019,614,555	100.00%	$ 6,876,677,072	100.00%
Less:						
Homestead Cap Adjustment	$ 20,340,360		$ 4,334,331		$ 3,079,882	
Productivity Loss	7,102,765		7,661,965		7,680,448	
Exemptions	648,751,476		549,605,155		554,919,955	
Total Exemptions/Deductions [3]	$ 676,194,601		$ 561,601,451		$ 565,680,285	
Net Taxable Assessed Valuation	$ 7,506,397,132		$ 6,458,013,104		$ 6,310,996,787	

(1) Source: Comptroller of Public Accounts - Property Tax Division.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000. See "AD VALOREM TAX PROCEDURES -- Residential homestead Exemptions" in the Official Statement.
(3) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds (1)	Less: Refunded Bonds (2)	Plus: The Bonds (2)	Total (1) (2)	Bonds Unpaid At Year End	Percent of Principal Retired
2018	$ 12,389,523.20	$ -	$ -	$ 12,389,523.20	$ 316,005,509.30	3.77%
2019	12,695,752.80	275,000.00	1,555,000.00	13,975,752.80	302,029,756.50	8.03%
2020	12,381,608.00	285,000.00	2,960,000.00	15,056,608.00	286,973,148.50	12.61%
2021	13,466,758.40	295,000.00	3,105,000.00	16,276,758.40	270,696,390.10	17.57%
2022	12,265,716.00	310,000.00	3,255,000.00	15,210,716.00	255,485,674.10	22.20%
2023	12,640,063.00	320,000.00	3,415,000.00	15,735,063.00	239,750,611.10	26.99%
2024	13,045,673.20	335,000.00	3,585,000.00	16,295,673.20	223,454,937.90	31.96%
2025	13,483,767.20	350,000.00	3,760,000.00	16,893,767.20	206,561,170.70	37.10%
2026	13,950,023.25	365,000.00	3,945,000.00	17,530,023.25	189,031,147.45	42.44%
2027	8,618,399.55	380,000.00	4,145,000.00	12,383,399.55	176,647,747.90	46.21%
2028	8,591,442.35	395,000.00	4,350,000.00	12,546,442.35	164,101,305.55	50.03%
2029	8,595,939.65	415,000.00	4,480,000.00	12,660,939.65	151,440,365.90	53.88%
2030	8,600,710.00	430,000.00	4,695,000.00	12,865,710.00	138,574,655.90	57.80%
2031	8,622,528.45	450,000.00	4,840,000.00	13,012,528.45	125,562,127.45	61.76%
2032	7,967,127.45	470,000.00	4,975,000.00	12,472,127.45	113,090,000.00	65.56%
2033	17,920,000.00	5,000,000.00	9,640,000.00	22,560,000.00	90,530,000.00	72.43%
2034	16,190,000.00	5,625,000.00	10,305,000.00	20,870,000.00	69,660,000.00	78.79%
2035	4,195,000.00		4,915,000.00	9,110,000.00	60,550,000.00	81.56%
2036	4,305,000.00		5,065,000.00	9,370,000.00	51,180,000.00	84.42%
2037	4,420,000.00		5,220,000.00	9,640,000.00	41,540,000.00	87.35%
2038	4,555,000.00		5,375,000.00	9,930,000.00	31,610,000.00	90.37%
2039	4,690,000.00		5,535,000.00	10,225,000.00	21,385,000.00	93.49%
2040	4,830,000.00		5,705,000.00	10,535,000.00	10,850,000.00	96.70%
2041	4,975,000.00		5,875,000.00	10,850,000.00	0.00	100.00%
Total	$ 233,395,032.50	$ 15,700,000.00	$ 110,700,000.00	$ 328,395,032.50		

(1) Excludes the accreted value of outstanding capital appreciation bonds.

(2) Preliminary, subject to change.

OTHER OBLIGATIONS

Fiscal Year Ending 8/31	Maintenance Tax Notes (QZAB), Series 2003 Principal	Interest	Total
2018	$ -	$ 10,400.00	$ 10,400.00
2019	-	10,400.00	10,400.00
2020	8,000,000.00	9,995.56	8,009,995.56
Total	$ 8,000,000.00	$ 30,795.56	$ 8,030,795.56

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service (1)	Less: Refunded Debt Service (2)	Plus: The Bonds (2) Principal	Interest	Total	Combined Total (1) (2) (3)
2018	$ 23,915,825.02	$ 392,731.25	$ -	$ -	$ -	$ 23,523,093.77
2019	23,912,150.02	1,060,462.50	1,555,000.00	5,357,683.33	6,912,683.33	29,764,370.85
2020	23,914,462.52	1,056,025.00	2,960,000.00	3,940,512.50	6,900,512.50	29,758,950.02
2021	23,915,825.02	1,051,062.50	3,105,000.00	3,792,512.50	6,897,512.50	29,762,275.02
2022	23,913,962.52	1,050,575.00	3,255,000.00	3,637,262.50	6,892,262.50	29,755,650.02
2023	23,912,537.52	1,044,300.00	3,415,000.00	3,474,512.50	6,889,512.50	29,757,750.02
2024	23,911,687.52	1,042,500.00	3,585,000.00	3,303,762.50	6,888,762.50	29,757,950.02
2025	23,912,100.02	1,039,912.50	3,760,000.00	3,124,512.50	6,884,512.50	29,756,700.02
2026	23,915,862.52	1,036,537.50	3,945,000.00	2,936,512.50	6,881,512.50	29,760,837.52
2027	23,915,012.52	1,034,200.00	4,145,000.00	2,739,262.50	6,884,262.50	29,765,075.02
2028	23,911,187.52	1,031,150.00	4,350,000.00	2,532,012.50	6,882,012.50	29,762,050.02
2029	23,912,925.02	1,032,387.50	4,480,000.00	2,401,512.50	6,881,512.50	29,762,050.02
2030	23,915,500.00	1,027,675.00	4,695,000.00	2,177,512.50	6,872,512.50	29,760,337.50
2031	23,913,437.50	1,027,250.00	4,840,000.00	2,036,662.50	6,876,662.50	29,762,850.00
2032	23,914,493.76	1,024,750.00	4,975,000.00	1,891,462.50	6,866,462.50	29,756,206.26
2033	20,243,762.50	5,531,250.00	9,640,000.00	1,742,212.50	11,382,212.50	26,094,725.00
2034	17,794,587.50	5,906,250.00	10,305,000.00	1,446,762.50	11,751,762.50	23,640,100.00
2035	5,127,606.26		4,915,000.00	1,130,700.00	6,045,700.00	11,173,306.26
2036	5,127,487.50		5,065,000.00	983,250.00	6,048,250.00	11,175,737.50
2037	5,124,100.00		5,220,000.00	831,300.00	6,051,300.00	11,175,400.00
2038	5,126,500.00		5,375,000.00	674,700.00	6,049,700.00	11,176,200.00
2039	5,124,850.00		5,535,000.00	513,450.00	6,048,450.00	11,173,300.00
2040	5,124,150.00		5,705,000.00	347,400.00	6,052,400.00	11,176,550.00
2041	5,124,250.00		5,875,000.00	176,250.00	6,051,250.00	11,175,500.00
	$ 432,624,262.76	$ 26,389,018.75	$ 110,700,000.00	$ 51,191,720.83	$ 161,891,720.83	$ 568,126,964.84

(1) Includes the accreted value of outstanding capital appreciation bonds.
(2) Preliminary, subject to change.
(3) Based on its wealth per student, the District does not expect to receive Instructional Facilities Allotment nor Existing Debt Allotment state financial assistance for the payment of debt service for the fiscal year 2017/18. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement (1)	$ 29,765,075.02
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption (2)	295,000.00
Projected Net Debt Service Requirement	$ 29,470,075.02
$0.35042 Tax Rate @ 98% Collections Produces	$ 29,470,742.96
2017/18 Certified Net Taxable Assessed Valuation	$ 8,581,755,236

(1) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change. Excludes the accreted value of outstanding capital appreciation bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in the Official Statement. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2017/18, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16.

AUTHORIZED BUT UNISSUED BONDS

The District has $105,000,000 of authorized but unissued unlimited ad valorem tax bonds from an election held on May 7, 2016. The District has plans to issue a portion of the remaining authorized but unissued bonds within the next twelve months. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES (1)

	Fiscal Year Ended August 31				
	2013	2014	2015	2016	2017
Beginning Fund Balance	**$ 55,695,088**	**$ 77,511,233**	**$ 100,045,703**	**$ 122,741,313**	**$ 138,319,826**
Revenues:					
Local and Intermediate Sources	$ 79,726,992	$ 85,268,539	$ 92,077,923	$ 102,583,906	$ 102,963,022
State Sources	106,165,757	110,152,379	118,047,029	110,007,247	103,124,625
Federal Sources & Other	3,596,476	3,153,115	1,676,335	2,855,646	3,712,784
Total Revenues	**$ 189,489,225**	**$ 198,574,033**	**$ 211,801,287**	**$ 215,446,799**	**$ 209,800,431**
Expenditures:					
Instruction	$ 97,378,335	$ 98,366,382	$ 107,088,009	$ 112,544,711	$ 113,171,760
Instructional Resources & Media Services	2,073,142	2,240,835	2,203,213	2,432,634	2,425,513
Curriculum and Instruction Staff	2,136,338	2,226,499	2,461,063	2,468,658	2,688,329
Instructional Leadership	3,864,139	3,974,785	4,480,430	4,674,886	5,305,626
School Leadership	9,640,623	11,316,964	11,918,584	13,065,837	13,755,434
Guidance, Counseling & Evaluation Services	5,472,917	5,455,701	6,446,804	7,001,756	6,925,027
Social Work Services	345,765	460,278	463,115	745,692	693,915
Health Services	1,471,179	1,528,417	1,578,745	1,619,028	1,660,071
Student (Pupil) Transportation	5,555,613	5,630,953	5,484,675	6,811,920	9,599,197
Food Services	11,748	-	1	-	4,338
Extracurricular Activities	2,845,354	3,425,082	3,656,358	3,797,755	4,062,026
General Administration	6,229,042	6,693,818	7,353,318	7,625,962	8,280,820
Facilities Maintenance and Operations	21,392,515	25,294,743	26,628,605	25,011,521	23,784,356
Security and Monitoring Services	2,207,544	2,746,767	2,555,775	2,588,012	2,480,503
Data Processing Services	2,249,595	2,271,575	3,799,088	3,294,312	3,530,105
Community Services	656,001	734,704	742,809	744,753	865,132
Debt Service - Principal on Long Term Debt	731,519	731,519	731,519	731,519	344,959
Debt Service - Interest on Long Term Debt	62,400	62,400	62,400	53,695	10,400
Debt Service - Bond Issuance Cost and Fees	2,100	2,888	3,098	2,310	2,310
Capital Outlay	2,579,075	288,154	669,208	3,817,722	1,878,867
Other Intergovernmental Charges	721,839	764,804	857,019	908,466	937,503
Total Expenditures	**$ 167,626,783**	**$ 174,217,268**	**$ 189,183,836**	**$ 199,941,149**	**$ 202,406,191**
Excess (Deficiency) of Revenues over Expenditures	$ 21,862,442	$ 24,356,765	$ 22,617,451	$ 15,505,650	$ 7,394,240
Other Resources and (Uses):					
Sale of Real and Personal Property	$ 32,808	$ 38,958	$ 78,159	$ 72,863	$ 86,812
Transfer Out	(79,105)	(13,427)	-	-	-
Other Uses- Court Ordered Tax Refunds	-	-	-	-	-
Total Other Resources (Uses)	**$ (46,297)**	**$ 25,531**	**$ 78,159**	**$ 72,863**	**$ 86,812**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 21,816,145	$ 24,382,296	$ 22,695,610	$ 15,578,513	$ 7,481,052
Prior Period Adjustment	$ -	$ (1,847,826) (2)	$ -	$ -	$ -
Ending Fund Balance	**$ 77,511,233**	**$ 100,045,703**	**$ 122,741,313**	**$ 138,319,826**	**$ 145,800,878**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budgets and Tax Rates" in Appendix D hereto for a discussion of the 2017/18 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in the Official Statement.
(2) Beginning with fiscal year 2014, the District began using the purchase method where payments for prepaid items are fully recognized as expenditures in the year of payment.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended August 31				
	2013	2014	2015	2016	2017
Revenues:					
Program Revenues:					
Charges for Services	$ 4,258,050	$ 5,106,726	$ 4,348,533	$ 4,674,105	$ 4,524,800
Operating Grants and Contributions	33,165,174	36,638,833	34,844,417	29,381,400	41,428,025
General Revenues:					
Property Taxes Levied for General Purposes	79,045,057	83,738,567	92,693,999	99,623,240	101,040,592
Property Taxes Levied for Debt Service	17,218,500	18,119,454	20,090,243	21,681,371	26,004,024
State Aid - Formula Grants	103,793,652	104,724,697	111,798,949	102,779,386	94,400,991
Grants and Contributions Not Restricted	7,039	86,213	69,486	23,999	-
Investment Earnings	177,448	167,415	206,950	687,509	2,446,240
Miscellaneous	264,545	266,551	298,220	294,298	201,980
Total Revenue	$ 237,929,465	$ 248,848,456	$ 264,350,797	$ 259,145,308	$ 270,046,652
Expenses:					
Instruction	$ 109,987,706	$ 113,536,472	$ 118,671,778	$ 119,286,904	$ 134,569,316
Instruction Resources & Media Services	2,287,463	2,543,759	2,484,130	2,753,916	2,817,371
Curriculum & Staff Development	4,482,176	4,785,800	5,049,277	5,432,709	5,961,598
Instructional Leadership	4,903,977	5,158,621	5,446,409	5,758,176	6,087,473
School Leadership	9,893,329	11,686,374	12,226,016	13,720,730	14,360,951
Guidance, Counseling & Evaluation Services	5,941,390	5,967,337	6,971,684	7,635,301	7,940,012
Social Work Services	468,203	581,864	533,315	696,048	904,579
Health Services	1,612,708	1,696,559	1,745,665	1,828,426	1,884,102
Student Transportation	5,436,683	5,442,835	6,060,314	6,478,596	8,491,227
Food Service	13,033,476	13,828,395	13,898,421	15,007,128	13,964,364
Extracurricular Activities	4,115,658	4,784,559	4,956,638	5,424,069	5,100,028
General Administration	6,412,028	6,990,616	7,523,092	7,914,425	8,507,836
Plant, Maintenance & Operations	24,590,808	27,857,900	28,066,758	27,253,373	24,949,307
Security and Monitoring Services	2,283,366	2,778,838	2,572,674	2,568,194	2,488,235
Data Processing Services	2,431,715	2,516,556	3,177,492	3,815,141	3,805,769
Community Services	1,408,790	1,427,226	1,389,389	1,411,317	1,635,714
Debt Service - Interest on Long-term Debt	12,742,302	11,978,110	10,832,510	10,967,667	12,766,645
Debt Service - Bond Issuance Cost and Fees	-	-	-	-	1,757,777
Facilities Acquisition and Construction	298,375	199,646	97,650	2,170,865	1,700,855
Payments to Appraisal District	721,839	764,804	857,019	908,466	937,503
Total Expenditures	$ 213,051,992	$ 224,526,271	$ 232,560,231	$ 241,031,451	$ 260,630,662
Change in Net Assets	$ 24,877,473	$ 24,322,185	$ 31,790,566	$ 18,113,857	$ 9,415,990
Beginning Net Assets	$ 72,749,846	$ 100,171,744	$ 121,218,912	$ 123,928,637	$ 142,042,494
Prior Period Adjustment	$ 2,544,425 [2]	$ (3,275,017) [3]	$ (29,080,841) [4]	$ -	$ (382,554) [5]
Ending Net Assets	$ 100,171,744	$ 121,218,912	$ 123,928,637	$ 142,042,494	$ 151,075,930

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted for the 2002 fiscal year.
(2) The prior period adjustment during fiscal year 2013 is for the District's calculated depreciation on it's capital assets correcting the accumulated depreciation related to prior years.
(3) Beginning with fiscal year 2014, the District began using the purchase method where payments for prepaid items are fully recognized as expenditures in the year of payment. The District also implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.
(4) The prior period adjustment is from the District implementing GASB Statement No. 68 Accounting and Financial Reporting for Pensions.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING
GALENA PARK INDEPENDENT SCHOOL DISTRICT, CITY OF GALENA PARK, TEXAS, AND
HARRIS COUNTY, TEXAS

GENERAL AND ECONOMIC INFORMATION

The Galena Park Independent School District (the "District") is located in southeastern Harris County, Texas and includes the City of Galena Park, Texas and a portion of the City of Jacinto City, Texas. The unincorporated communities of Greens Bayou, Woodland Acres, Cloverleaf Addition, and a small portion of the City of Houston, Texas are also within the boundaries of the District. The District is located in the heart of the Houston Ship Channel industrial area, and the majority of the labor force is employed at nearby chemical plants and oil refineries.

SCHOLASTIC INFORMATION

The District offers a fully accredited and comprehensive educational program. The District is accredited by the Accreditation Division of the Texas Education Agency on a K-12 basis. Presently three high schools, one freshman center, four middle schools, one 6th grade campus and fifteen elementary schools serve the District. The District's current personnel total 3,252 of which 2,180 are certified.

In addition to the core curriculum courses, the District offers a diversity of enrichment programs including:

Four foreign languages - Spanish, French, German and Latin

Honors courses at both middle and high schools and Advanced Placement courses at both high schools

Gifted/Talented programs

Career and Technology Education

Air Force Junior Reserve Officer Training Corp. and LOTC

English as a Second Language (ESL)

Special Education for eligible students

Media – Print and Television

Fine Arts – Art, Band, Choir, Dance and Theater

University Interscholastic League Academics and Sports

Research and Development

Science Courses

Sports Medicine

Robotics

PRESENT SCHOOL PLANTS

A description of the present school facilities is as follows:

School	Capacity	Grades Provided	Current Enrollment	Teachers	Others [a]	Aides	Admin.
Cimmarron Elementary	916	K-5	749	46	12	9	2
Cloverleaf Elementary	1,003	K-5	836	50	10	8	3
Galena Park Elementary	704	K-5	603	39	12	5	2
Green Valley Elementary	865	K-5	764	50	12	10	2
Harvard Elementary	950	K-5	690	42	11	7	2
Jacinto City Elementary	849	K-5	784	48	12	11	2
MacArthur Elementary	638	K-5	768	45	9	10	2
Normandy Crossing Elementary	898	K-5	664	40	11	8	2
North Shore Elementary	895	K-5	969	54	10	10	3
Purple Sage Elementary	922	K-5	548	35	10	8	2
Pyburn Elementary	572	K-5	653	39	10	7	2
Sam Houston Elementary	850	K-5	838	49	12	9	2
Tice Elementary	786	K-5	690	44	9	6	2
Williamson (Freedom) Elementary	850	K-5	688	45	9	13	2
Woodland Acres Elementary	489	K-5	468	29	6	4	2
Cobb 6th Grade Campus	1,200	6	1,141	79	7	10	4
Cunningham Middle School	1,354	7-8	988	64	7	5	4
Galena Park Middle School	1,093	6-8	1,013	70	6	5	4
North Shore Middle School	1,734	7-8	1,406	92	9	10	5
Woodland Acres Middle School	560	6-8	534	34	6	4	3
Galena Park High School	1,789	9-12	2,016	113	15	6	6
North Shore Ninth Grade Center	1,918	9	1,192				
North Shore Senior High School	4,134	10-12	3,586	301	35	34	21
Accelerated Center for Education	102	9-12					
Center for Success	0						-
Highpoint	0		2	-	-	-	-
JJAEP [b]	0		1	-	-	-	-
PEP Child Development	45	0-3 years					
Total	**26,116**		**22,591**	**1,408**	**240**	**199**	**79**

[a] *Includes counselors, librarians, nurses, diagnosticians and psychologists.*
[b] *Alternative Education facility students of the District attend Region 4 facilities at the District's expense.*

STUDENT ENROLLMENT BY GRADES

Grade	2017/18	2016/17	2015/16	2014/15	2013/14
E.C.	61	47	58	75	72
Pre-K	999	893	880	967	1,046
K	1,389	1,489	1,479	1,603	1,566
1	1,620	1,593	1,715	1,817	1,736
2	1,578	1,699	1,758	1,726	1,639
3	1,680	1,741	1,695	1,644	1,602
4	1,703	1,677	1,631	1,625	1,636
5	1,681	1,606	1,575	1,650	1,560
6	1,663	1,673	1,692	1,616	1,658
7	1,654	1,758	1,650	1,675	1,674
8	1,766	1,716	1,701	1,682	1,618
9	1,710	1,739	1,708	1,728	1,892
10	1,703	1,749	1,662	1,621	1,566
11	1,724	1,635	1,691	1,680	1,794
12	1,660	1,769	1,654	1,506	1,513
Other					
Total	**22,591**	**22,784**	**22,549**	**22,615**	**22,572**

AVERAGE DAILY ATTENDANCE INCREASES/ (DECREASES)

School Year	ADA	Increase (Decrease) Actual	Increase (Decrease) Percent (%)
2002-03	18,600	695	3.88
2003-04	19,031	431	2.32
2004-05	19,282	251	1.32
2005-06	19,609	327	1.70
2006-07	19,587	-22	-0.11
2007-08	19,585	-2	-0.01
2008-09	19,780	195	0.99
2009-10	19,830	50	0.25
2010-11	20,085	255	1.26
2011-12	20,225	140	0.70
2012-13	20,461	236	1.15
2014-15	21,029	568	2.77
2015-16	21,175	146	0.69
2016-17	21,320	145	0.68
2017-18	21,422	102	0.48

GENERAL INFORMATION REGARDING THE CITY OF GALENA PARK AND HARRIS COUNTY, TEXAS

The City of Galena Park, Texas (the "City") is located in eastern Harris County, Texas ("Harris County") and is completely surrounded by the City of Houston, Texas (the "City of Houston"). The Houston Ship Channel is located just south of the City limits, and many residents are employed in the industrial area surrounding the Channel. The Port of Houston is the world's sixth largest and routinely ranks first in the nation in volume of foreign tonnage and second in the nation in total tonnage. The City has become a storage, shipping and fabrication center for the area's oil and petrochemical industry. Overall, more than 785,000 jobs throughout Texas are directly and indirectly related to the diverse global trade and commerce activities at the Port. In addition, the port generates $118 billion of economic activity in Texas every year.

Harris County is located in southeast Texas and is the state's most populous county. The City of Houston, the state's largest city and the fourth largest city in the United States, is the county seat. The County's economy is based on petrochemicals, tourism, shipping, refining, chemicals, aerospace, alternative energy, biotechnology, energy, health care, information technology, nanotechnology, telecommunications, manufacturing, and education. The City of Houston is home to many businesses including corporate headquarters for 24 of the Fortune 500 companies.

Sources: North Channel Area Chamber of Commerce http://www.northchannelarea.com; Greater Houston Partnership http://www.houston.org; Municipal Advisory Council of Texas http://MACTexas.com; and the U.S. Census Bureau http://census.gov.

UNEMPLOYMENT RATES

	January 2018	January 2017
City of Houston	4.6%	5.6%
Harris County	4.9%	5.9%
State of Texas	4.2%	5.0%
United States of America	4.5%	5.1%

Source: Texas Employment Commission, Austin, Texas

MAJOR EMPLOYERS WITHIN THE CITY OF HOUSTON, TEXAS

Name of Company	Type of Business	Number of Employees
Walmart	Retail	37,000
Memorial Hermann Healthcare System	Healthcare	24,108
H-E-B	Retail Grocery	23,732
University of Texas M.D. Anderson Cancer Center	Healthcare	21,086
McDonald's Corporation	Foodservice Retailer	20,918
Houston Methodist	Healthcare	20,000
Kroger	Retail Grocery	16,000
United Airlines	Airline	14,941
Schlumberger	Oilfield Services	12,069
Shell Oil Company	Natural Gas	11,507

Source: http://hereishouston.com/houstons-largest-employers as of March 2018

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

Bracewell LLP
711 Louisiana Street
Suite 2300
Houston, Texas
77002-2770

713.223.2300 Office
713.221.1212 Fax

bracewelllaw.com

_______, 2018

WE HAVE represented Galena Park Independent School District (the "District") as its bond counsel in connection with an issue of bonds described as follows:

GALENA PARK INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2018, dated _________, 2018, in the principal amount of $_________ (the "Bonds").

The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate relating to the Bonds executed pursuant thereto (together with the Bond Order, the "Order").

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the bonds being refunded with certain of the proceeds of the Bonds (the "Refunded Bonds"), on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; an escrow agreement (the "Escrow Agreement") between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"); customary certificates of officers, agents and representatives of the District, the District's financial advisor, the Purchaser (as defined in the Order) and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. I-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and therefore the Bonds constitute valid and legally binding obligations of the District;

(2) A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the District and pledged irrevocably to the payment of the principal of and interest on the Bonds; and

(3) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT, under existing law:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes; and

(2) The Bonds are not “private activity bonds” within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax.

In providing such opinions, we have relied on representations of the District, the District’s financial advisor and the Purchaser of the Bonds, with respect to matters solely within the knowledge of the District, the District’s financial advisor and the Purchaser of the Bonds, respectively, which we have not independently verified, and have assumed for purposes of these opinions continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the excludability from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the District fails to comply with the foregoing covenants of the Order, interest on the Bonds could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition, of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2017

Comprehensive
Annual Financial Report

For the Fiscal Year Ended
August 31, 2017

GALENA PARK INDEPENDENT SCHOOL DISTRICT

14705 Woodforest Blvd., Houston, Texas 77015

Prepared By the Business Services Department:

Sonya George, CPA
Deputy Superintendent for Operational Support/Chief Financial Officer

Julie Lee, CPA, RTSBA
Executive Director for Budget and Financial Support Services

GALENA PARK INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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GALENA PARK INDEPENDENT SCHOOL DISTRICT
Principal Officials and Advisors

Board of Trustees

Name	Office	Term Expires	Length of Service	Occupation
Jeff Miller	President	2019	20 years	Independent Insurance Agent
Wanda Heath Johnson	Vice President	2018	12 years	Retired
Minnie Rivera	Secretary	2020	6 years	Retired
Joe Stephens	Board Member	2018	8 years	Insurance Agency Owner
Wilfred J. Broussard, Jr.	Board Member	2020	9 years	Real Estate Broker
Ramon Garza	Board Member	2019	7 years	Insurance Agent
Dawn Thompson Fisher	Board Member	2020	15 years	Legal Assistant

Administrative Officials

Name	Position	Length of Service
Angi Williams, Ed.D.	Superintendent	32 years
Kenneth Wallace	Deputy Superintendent for Educational Support	17 years
Sonya George, CPA	Deputy Superintendent for Operational Support/Chief Financial Officer	6 years
Terri Moore	Assistant Superintendent for Communication Services	26 years
Elizabeth Lalor	Assistant Superintendent for Educational and Academic Support	26 years
Wanna Giacona	Assistant Superintendent for Human Resource Services	23 years
John Moore	Assistant Superintendent for Operations	26 years
Julie Lee, CPA, RTSBA	Executive Director for Budget and Financial Support Services	4 years

Consultants and Advisors

Bond Counsel	McCall, Parkhurst, and Horton, LLP, Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc., Plano, Texas
Independent Auditors	Whitley Penn, LLP, Houston, Texas
Chief Appraiser	Harris County Appraisal District

CERTIFICATE OF BOARD

Galena Park Independent School District	Harris	101-910
Name of School District	County	Co.– Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on January 9, 2018

President of the Board

Secretary of the Board

GALENA PARK INDEPENDENT SCHOOL DISTRICT

A Texas Recognized School District

14705 Woodforest Blvd. Houston, TX 77015 832-386-1204

January 9, 2018

To the Board of Trustees and Taxpayers of the Galena Park Independent School District:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Galena Park Independent School District (the "District") for the fiscal year ended August 31, 2017.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The District's financial statements have been audited by Whitley Penn, LLP, CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the District's financial statements for the period ended August 31, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

The Galena Park Independent School District encompasses 33 square miles and is located in southeastern Harris County, Texas. Interstate Highway 10 bisects the District. While a small portion of the District is located inside the city limits of Houston, it also includes portions of the incorporated cities of Galena Park, Jacinto City, and the unincorporated communities of Greens Bayou, Woodland Acres, and the Cloverleaf Addition. The District is not included in any other governmental "reporting entity" since the Board of Trustees is elected by the public and has decision-making authority. Residents of the District elect a seven-member Board of Trustees. The respective Trustees serve overlapping three-year terms. There are no component units included in the reporting entity.

The purpose and responsibility of the District is to provide a thorough and efficient educational system for children, pre-kindergarten through grade 12, enrolled in public schools within its boundaries, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to its regular educational program, the District offers comprehensive programs in the areas of career and technology education, special education, bilingual education, compensatory education and gifted and talented education. The District is accredited by the Texas Education Agency.

The District's 15 elementary schools, 5 middle schools, 2 high schools, 1 early college high school, and 1 alternative high school campuses are well-known for innovative programs and academic accomplishments. The District educates children from diverse backgrounds. The student body reflects the cultural diversity of Texas. Of the approximately 22,700 students enrolled, 78% are Hispanic, 15% are African American, 5% are White, and 2% identify themselves as Asian/Pacific Islander, American Indian or of more than one ethnicity.

The annual budget serves as the foundation for the District's financial planning and control. The budget development process begins in January with the Superintendent and administrative leadership team determining the budget parameters that will be used as a guide for the resource allocation process. All of the District's budget managers are required to submit requests for appropriations based on these parameters. Budget requests are forwarded to the Business Services Department for compilation and summarization. The Business Services Department personnel develop the draft budget and prioritize budget requests and potential budget reductions based on the principles established in the Superintendent's budget parameters. The preliminary budget is then presented and discussed with the Board of Trustees. The proposed budget must be prepared by August 20th for the September 1st fiscal year start date. The Board President must call a Board meeting for the purpose of discussing and adopting the budget and tax rate. A public notice of this meeting is required to be published at least 10 days, but not more than 30 days, prior to the public meeting.

The District maintains budgetary controls throughout its financial systems. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official appropriations budget at the functional expenditure level for the general fund, debt service fund and the food service program included in the special revenue fund. Budgetary control is maintained at the organizational level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances at the end of the fiscal year are treated as assigned fund balance and are recorded as expenditures in the subsequent year upon receipt of the goods and services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy. The District is located in the heart of the Houston Ship Channel industrial area, and the majority of the labor force is employed at nearby chemical plants and oil refineries. The Houston Ship Channel is located just south of the District boundary, and many residents are employed in the industrial area surrounding the Channel. The Port of Houston is one of the largest ports in the world in terms of foreign waterborne tonnage and total tonnage. Each year, more than 8,000 vessels and 200,000 barges ship goods through the port, and more than 100 steamship lines offer service, linking Houston with 1,053 ports around the world. A vital element in the infrastructure of Houston and the region, the port maintains a high level of commercial prominence that solidifies its status as a major gateway to global commerce.

A cornerstone of the area economy, the Port of Houston is a 25-mile-long complex of diversified public and private facilities designed for handling general cargo, containers, grain and other dry bulk materials, project and heavy-lift cargo, and other types of cargo. Overall, more than 1,174,567 jobs throughout Texas are directly and indirectly related to the diverse global trade and commerce activities at the port. In addition, the port generates nearly $264.9 billion of economic activity in Texas each year. Additionally, more than $5 billion in state and local tax revenues are generated by business activities related to the port.

Economic Outlook. Houston's energy, healthcare, transportation and distribution sectors have supported a continuous growth in our tax base. However, the depressed oil and gas prices, along with reduced drilling activities had caused the District's tax base to remain relatively stagnant for fiscal years 2016 and 2017. Recovery for the energy industry is underway, but it is a slow turn. On November 30th, OPEC, Russia and nine other non-OPEC countries agreed to extend crude productions cuts through the end of 2018. This extended agreement to keep the reduction in oil reserves should cause the oil and gas prices to continue to increase which will have a positive impact on our tax base. The increase in oil and gas prices, in conjunction with numerous petrochemical expansion projects in the Houston Ship Channel area should help our tax values to continue to recover.

Access. The District is connected to Downtown Houston via Interstate 10 and is also linked to the entire Houston metropolitan area via the Sam Houston Toll Road. Both of these thoroughfares pass through the center of the District. The District's proximity to Houston provides the area with access to one of the nation's leading centers for medical education and research, many colleges and universities, a dynamic cultural arts community, excellent recreational opportunities, and a national center of commerce, world trade and corporate management.

Relevant Financial Policies

Budget. Budget planning is an integral part of overall program planning so that the budget effectively reflects the District's programs and activities, and provides the resources to implement them. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals are considered. Budget planning and evaluation are continuous processes and are a part of each month's activities.

Fund Balance. Recognizing fund balance as key in maintaining a strong financial position, the Board policy regarding fund balance stipulates a goal of maintaining an adequate fund balance. The level of adequacy for the general fund unassigned fund balance is defined as 12% of the current budget, while the debt service fund is defined as 15% of the current year debt service requirements.

Financial Planning. The District is subject to revenue limitations as outlined in the Texas Education Code. The revenues are derived from a target revenue formula based primarily on student attendance, adjusted for funding "weights" associated with the students' educational settings. Under the target revenue system, the District's maintenance and operations revenues from property taxes and state aid are capped. As collections from property taxes increase, state aid is reduced by a similar amount. On an ongoing basis, the District adjusts future projections as new data becomes available. The District maintains a Five-year Technology plan, a Multi-Year Fleet Replacement plan, a Multi-Year Fine Arts refresh plan and a Long-range Facilities plan.

Awards and Acknowledgements

Our District as a whole received many recognitions and achievements during the 2016-17 school year. Starting with our Fine Arts Department, in November 2016, our North Shore Senior High School Marching Band advanced to the University Interscholastic League (UIL) Class 6A State Marching Contest held in San Antonio, Texas. They played well and placed in the top 20 of all bands in the state. Many District administrators were there to cheer them on, and they did not disappoint.

The TEA has awarded the District an "A=Superior" rating for the fiscal year ended August 31, 2016. This is the 15th year of the State's Financial Integrity Rating System of Texas (School FIRST). The rating is based upon an analysis of staff and student data reported for the 2015-16 school year and budgetary and actual financial data for the fiscal year ended August 31, 2016.

In February 2017, the District's Purchasing Department was recognized with the Award of Merit for Purchasing Operations by the Texas Association of School Business Officials for the third time. This award recognizes a district's achievement in implementing best practices in the area of purchasing.

The District was also recognized by the Association of School Business Officials International (ASBO) as a second year recipient of the ASBO International's *Pathway* to the Meritorious Budget Award (MBA) for the 2016-17 Budget document. The award recognizes excellence in school budget presentation.

ASBO awarded a Certificate of Excellence in Financial Reporting and the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016.

In order to be awarded the certificates, a governmental unit must publish an efficiently organized Comprehensive Annual Financial Report, the contents of which must conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The District has received the ASBO award for six consecutive years and the GFOA award for five years. The certificates are valid for a period of one year only. We believe that our current CAFR continues to meet the requirements of both certificate programs, and it will be submitted accordingly to ASBO and GFOA to determine its eligibility for a 2017 certificate.

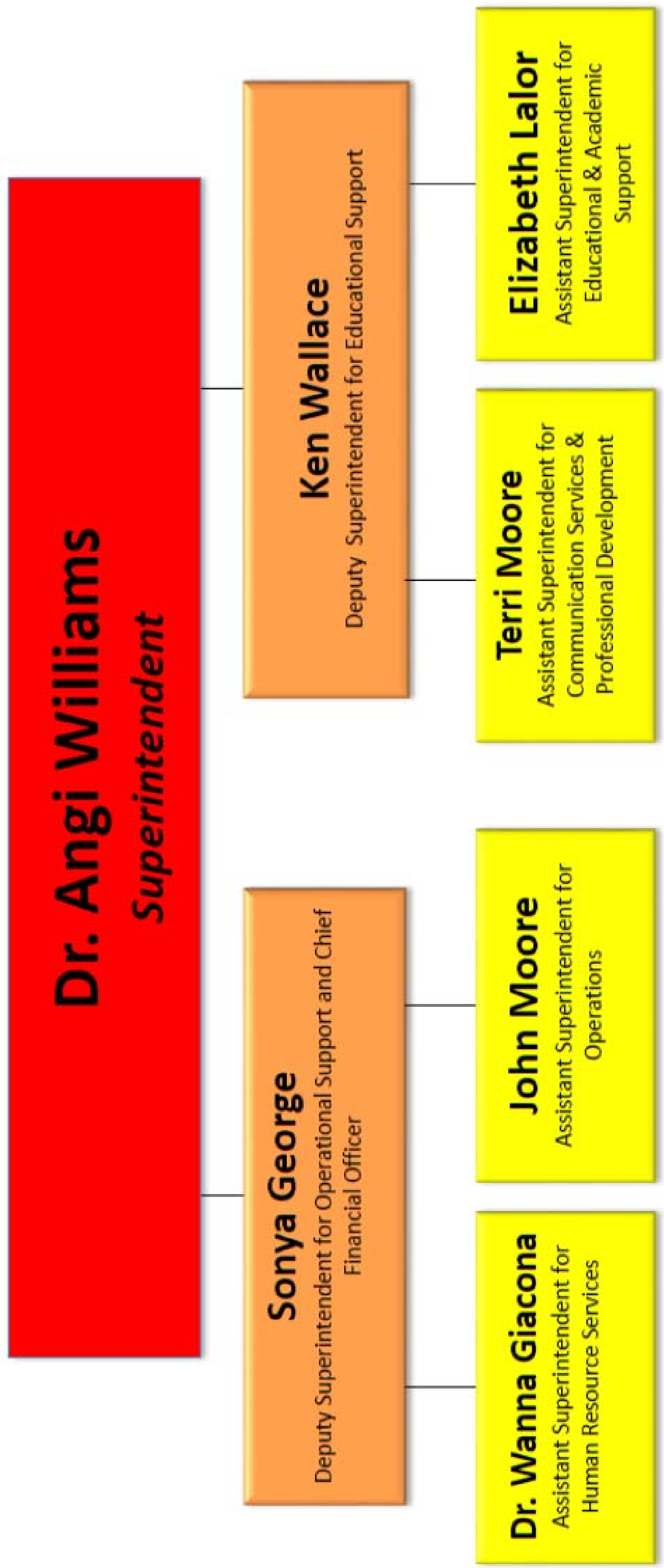
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Business Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances. Finally, we would like to thank the residents of the District for their support of and belief in our public school system, and the teachers and campus teams who provide the quality education for which our District is known.

Respectfully submitted,

Angi Williams, Ed.D.
Superintendent of Schools

Sonya George
Chief Financial Officer

GALENA PARK INDEPENDENT SCHOOL DISTRICT
ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Galena Park Independent School District, Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

August 31, 2016

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Galena Park Independent School District

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended August 31, 2016.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Anthony N. Dragona, Ed.D., RSBA
President

John D. Musso, CAE
Executive Director

FINANCIAL SECTION

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Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Galena Park Independent School District
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Galena Park Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees
Galena Park Independent School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 and the Budgetary Comparison Schedule and Pension Information on pages 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information (as described in the accompanying table of contents) are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information (as described in the accompanying table of contents) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other supplementary information (as described in the accompanying table of contents) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Trustees
Galena Park Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
January 9, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Galena Park Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $151,075,930 (net position). Of this amount, $60,846,881 (unrestricted net position) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position increased by $9,033,436 in comparison with the prior year, including a prior period adjustment to decrease net position by $382,554.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $225,189,956, an increase of $74,758,192 in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the capital projects fund balance of $66,355,513 and in the debt service fund balance of $891,335 related to the issuance of Unlimited Tax School Building and Refunding Bonds Series 2016 and due to an increase in the debt service tax rate from $0.27010 to $0.32000.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $87,793,932, or 43.4 percent of total general fund expenditures.

- The District's total bonded debt increased by $77,665,982 or 45 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repairs and Maintenance, and Payments to Appraisal Districts.

The government-wide financial statements can be found on pages 18 through 19 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and child nutrition special revenue fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Proprietary Fund

The District maintains an internal service fund, one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its print shop copier services. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide separate information for the print shop.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Fiduciary Fund

The fiduciary funds are used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The Agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation. In addition, the District's private - purpose trust fund reports a trust arrangement under which principal and income benefit individuals.

The basic fiduciary fund financial statement can be found on pages 27 through 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 56 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. In fiscal year 2015, the District implemented GASB Statements Nos. 68 and 71 which add required new schedules related to pensions. The required supplementary information can be found on pages 58 through 62 of this report.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 65 through 83 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $151,075,930 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, construction in progress); less any outstanding related debt used to acquire those assets totaled $77,029,615. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Galena Park Independent School District's Net Position

	2017	2016
Current and other assets	$ 258,476,123	$ 170,032,690
Capital assets	256,937,466	240,114,984
Total Assets	515,413,589	410,147,674
Deferred loss on refunding	2,877,064	2,832,809
Deferred outflows - pension	30,795,588	22,678,027
Total Deferred Outflows of Resources	33,672,652	25,510,836
Current liabilities	23,945,289	10,990,806
Long term liabilities	364,775,502	278,959,222
Total Liabilities	388,720,791	289,950,028
Deferred inflows - pension	9,289,520	3,665,988
Total Deferred Inflows of Resources	9,289,520	3,665,988
Net Position:		
Net investment in capital assets	77,029,615	71,473,347
Restricted	13,199,434	11,671,948
Unrestricted	60,846,881	58,897,199
Total Net Position	$ 151,075,930	$ 142,042,494

Net position of $13,199,434 is restricted for state, federal and local programs, and debt service. The remaining balance of *unrestricted net position* $60,846,881 may be used to meet the District's ongoing obligations to students and creditors. The District's net position increased by $9,033,436 during the current fiscal year, including a prior period adjustment to decrease net position by $382,554, primarily due to an increase in property tax revenues, an increase in operating grants by approximately $12 million, and an increase in interest earnings in comparison to the prior year.

Galena Park Independent School District's Changes in Net Position

	2017	2016
Program Revenues		
Charges for services	$ 4,524,800	$ 4,674,105
Operating grants	41,428,025	29,381,400
General Revenues		
Property taxes	127,044,616	121,304,611
State aid	94,400,991	102,779,386
Grants and contributions not restricted	-	23,999
Interest earnings	2,446,240	687,509
Other	201,980	294,298
Total Revenues	270,046,652	259,145,308
Expenses		
Instruction	134,569,316	119,286,904
Instructional resources and media services	2,817,371	2,753,916
Curriculum and instructional staff development	5,961,598	5,432,709
Instructional leadership	6,087,473	5,758,176
School leadership	14,360,951	13,720,730
Guidance, counseling, and evaluation services	7,940,012	7,635,301
Social work services	904,579	696,048
Health services	1,884,102	1,828,426
Student transportation	8,491,227	6,478,596
Food services	13,964,364	15,007,128
Extracurricular activities	5,100,028	5,424,069
General administration	8,507,836	7,914,425
Facilities maintenance and operations	24,949,307	27,253,373
Security and monitoring services	2,488,235	2,568,194
Data processing services	3,805,769	3,815,141
Community services	1,635,714	1,411,317
Interest on long-term debt	12,766,645	10,967,667
Bond issuance costs and fees	1,757,777	-
Other facility costs	1,700,855	2,170,865
Payments to appraisal districts	937,503	908,466
Total Expenses	260,630,662	241,031,451
Increase (decrease) in net position	9,415,990	18,113,857
Beginning Net Position	142,042,494	123,928,637
Prior period adjustment	(382,554)	-
Ending Net Position	$ 151,075,930	$ 142,042,494

Governmental Activities

Governmental activities increased the District's net position by $9,033,436. Key elements of this increase are as follows:

> Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling $135,829,016 represent 50 percent of total revenues and property taxes of $127,044,616 represent 47 percent of total revenues. The remaining $7,173,020 is generated from charges for services, investment earnings, and miscellaneous revenues. Property tax revenues increased by approximately $5.7 million due to higher appraised tax values and an increase of the debt service tax rate from $0.27010 to $0.32000. Operating grants increased by approximately $12 million due to an increase in federal revenues.

The primary functional expense of the District is instruction, which at $134,569,316 represents 52 percent of total expenses. Facilities maintenance and operations expenses of $24,949,307 represent 10 percent of total expenses. Food services expenses of $13,964,364 represent 5 percent of total expenses. Interest on long-term debt of $12,766,645 represents 5 percent. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $225,189,956, an increase of $74,758,192 in comparison with the prior year including a prior period adjustment to decrease fund balance by $382,554. The increase in ending governmental fund balances is primarily due to increases in the capital projects fund.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $87,793,932, while total fund balance reached $145,800,878. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43.4 percent of total general fund expenditures, while total fund balance represents 72 percent of that same amount.

The increase in the general fund's fund balance of $7,481,052 was primarily due to the increase in property taxes due to higher appraisal values and an increase in federal program revenues.

The debt service fund has a total fund balance of $8,430,836, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of $891,335, including a prior period adjustment to decrease fund balance by $382,554, was primarily due to the increase in property taxes due to higher appraisal tax values and an increase of the debt service tax rate from $0.27010 to $0.32000.

Proprietary Fund

The District's proprietary fund financial statement, internal service printing services, provides detail information about the profitability of the Print Shop Fund. At the end of the year, net position was $113,981, a decrease of $6,721 compared to the prior year. The net change in fund's position is eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

Actual expenditures were $6.76 million below final budgeted amounts. The positive variance was primarily due to the positive variances in all expenditure accounts including instruction of $2.09 million, facilities maintenance and operations of $835 thousand, facilities acquisition and construction of $498 thousand, and student transportation of $496 thousand.

Resources available were $2.18 million over the final budgeted amounts. This favorable variance was due to higher actual revenues than final budgets in local and state revenue categories of $886 thousand and $330 thousand, respectively. In addition, federal revenues were $963 thousand more than final budgeted amounts. The review of the final amended budget versus actual for the general fund reflected a positive budget variance in the amount of $9.02 million, thus eliminating the need to draw upon existing fund balances.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2017, amounts to $256,937,466 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was $16,822,482. Changes in capital assets are shown below:

Galena Park Independent School District's Capital Assets

	Balance September 1, 2016	Additions	Retirements and Transfers	Balance August 31, 2017
Land	$ 17,691,214	$ 1,484,390	$ -	$ 19,175,604
Building and improvements	343,742,377	7,757,855	-	351,500,232
Furniture and equipment	26,304,248	1,005,941	(113,141)	27,197,048
Vehicles	11,609,999	2,900,571	(1,014,063)	13,496,507
Construction in progress	-	15,127,517	-	15,127,517
	399,347,838	28,276,274	(1,127,204)	426,496,908
Less accumulated depreciation for:				
Buildings and improvements	(139,003,047)	(8,107,530)	-	(147,110,577)
Furniture and equipment	(12,773,919)	(2,455,191)	108,546	(15,120,564)
Vehicle	(7,455,888)	(883,395)	1,010,982	(7,328,301)
	(159,232,854)	(11,446,116)	1,119,528	(169,559,442)
Governmental Capital Assets	$ 240,114,984	$ 16,830,158	$ (7,676)	$ 256,937,466

Additional information on the District's capital assets can be found in Note 4 on page 43 of the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had $249,140,428 in bonded debt outstanding, an increase of $77,665,982 over the previous year due to the issuance of Unlimited Tax School Building and Refunding Bonds Series 2016 and of Unlimited Tax Refunding Bonds Series 2017. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "AAA", from Moody's Investors Service is "Aa2" and "AA+" by Fitch Ratings, Inc. for general obligation debt.

Changes to long-term debt, for the year ended August 31, 2017 are as follows:

Galena Park Independent School District's Long-term Liabilities

	Balance September 1 , 2016	Additions	Retirements	Balance August 31, 2017
General obligation bonds	$ 165,657,534	$ 128,315,000	$ (60,577,501)	$ 233,395,033
Plus amounts for issuance premiums	4,437,079	11,141,318	(867,876)	14,710,521
Qualified zone academy bonds	1,379,833	-	(344,959)	1,034,874
Accreted interest on premium compound interest bonds	56,791,061	5,166,663	(3,737,499)	58,220,225
Accrued compensated absences	1,300,030	251,107	(204,966)	1,346,171
	$ 229,565,537	$ 144,874,088	$ (65,732,801)	$ 308,706,824

Additional information on the District's long-term liabilities can be found in Note 6 on pages 43 through 45 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The District's Board of Trustees and Administrators considered a variety of factors when adopting the budget for the 2017-18 fiscal year. Those factors include property values, enrollment trends, state funding, the economy, and legislative mandates. The following assumptions were taken into account when adopting the general operating budget for 2017-18.

- The tax rate for 2017-18 is $1.5633 with $1.2433 applicable to maintenance and operations and $0.3200 for debt service.
- Taxable values used for the 2017-18 adopted budget are expected to decrease by approximately .5% below 2016-17 levels. The budgeted property tax revenues were based on a taxable value of $8.2 billion with a 97.5% collection rate.
- The district's 2017-18 average daily attendance increased slightly from 2016-17 to 21,185.

With voter approval from a tax ratification election held in December 2007 the maintenance and operations tax rate increased from $1.1134 to $1.1834 per $100 valuation. A second successful tax ratification election in September 2012 increased the maintenance and operations tax rate an additional .5999 cents for a total rate of $1.2433. Both of the successful elections and resulting tax rate increases generate additional property tax revenue and maximize the amount of state aid the district can receive utilizing the current state funding formulas. The additional funds generated from these elections continue to help the district in meeting ongoing financial needs.

State Funding for the 2017-18 fiscal year increased slightly, however it was offset by the reduction in property values resulting in a small increase in revenues available for appropriation for the current budget year. Amounts available for appropriation in the general fund are $207.7 million, an increase of $2.9 million from the previous year. Expenditures are budgeted to increase 3.8% to $212.5 million. The majority of the increase in budgeted expenditures was to fund payroll cost associated with new positions needed to support increasing special populations of students and to fund a 3% of midpoint general pay increase for teachers and all other staff. A deficit budget was adopted for 2017-18. If these budgetary estimates are realized, the District's General Fund balance will decrease $4.8 million by August 31, 2018.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the Executive Director of Budget and Financial Support Services, Galena Park Independent School District, 14705 Woodforest Blvd, Houston, TX 77015.

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BASIC FINANCIAL STATEMENTS

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit A-1*

STATEMENT OF NET POSITION

August 31, 2017

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 240,757,559
1225	Property taxes receivables, net	9,700,270
1240	Due from other governments	6,893,937
1250	Accrued interest	9,500
1290	Other receivables, net	457,695
1300	Inventories	656,662
1490	Other current assets	500
	Capital assets not subject to depreciation:	
1510	Land	19,175,604
1580	Construction in progress	15,127,517
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	204,389,655
1530	Furniture and equipment, net	12,076,484
1531	Vehicles, net	6,168,206
1000	**Total Assets**	515,413,589
	Deferred Outflows of Resources	
1700	Deferred loss on refunding	2,877,064
1705	Deferred outflows - pension	30,795,588
	Total Deferred Outflows of Resources	33,672,652
	Liabilities	
2110	Accounts payable	14,542,643
2140	Interest payable	473,373
2150	Payroll deductions and withholdings	2,440,324
2160	Accrued wages payable	6,366,467
2300	Unearned revenue	122,482
	Noncurrent Liabilities:	
2501	Due within one year	16,689,978
2502	Due in more than one year	292,016,846
2540	Net pension liability	56,068,678
2000	**Total Liabilities**	388,720,791
	Deferred Inflows of Resources	
2605	Deferred inflows - pension	9,289,520
	Total Deferred Inflows of Resources	9,289,520
	Net Position	
3200	Net investment in capital assets	77,029,615
	Restricted for:	
3820	Federal and state programs	3,577,122
3850	Debt service	9,622,312
3900	Unrestricted	60,846,881
3000	**Total Net Position**	$ 151,075,930

See Notes to the Financial Statements

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit B-1*

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2017

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities
	Governmental activities:				
11	Instruction	$ 134,569,316	$ 673,736	$ 17,426,218	$ (116,469,362)
12	Instructional resources and media services	2,817,371	25,274	156,005	(2,636,092)
13	Curriculum and instructional staff development	5,961,598	5,375	3,257,540	(2,698,683)
21	Instructional leadership	6,087,473	16,126	917,344	(5,154,003)
23	School leadership	14,360,951	147,074	840,889	(13,372,988)
31	Guidance, counseling, and evaluation services	7,940,012	16,126	835,211	(7,088,675)
32	Social work services	904,579	-	217,649	(686,930)
33	Health services	1,884,102	5,375	2,453,367	574,640
34	Student transportation	8,491,227	26,877	697,247	(7,767,103)
35	Food services	13,964,364	2,147,598	11,808,101	(8,665)
36	Extracurricular activities	5,100,028	1,237,846	160,424	(3,701,758)
41	General administration	8,507,836	21,501	424,554	(8,061,781)
51	Facilities maintenance and operations	24,949,307	180,392	1,281,446	(23,487,469)
52	Security and monitoring services	2,488,235	5,375	29,024	(2,453,836)
53	Data processing services	3,805,769	10,750	127,449	(3,667,570)
61	Community services	1,635,714	-	783,244	(852,470)
72	Interest on long-term debt	12,766,645	-	-	(12,766,645)
73	Bond issuance costs and fees	1,757,777	-	-	(1,757,777)
81	Other Facility Costs	1,700,855	5,375	12,313	(1,683,167)
99	Payments to Appraisal District	937,503	-	-	(937,503)
TG	**Total governmental activities**	$ 260,630,662	$ 4,524,800	$ 41,428,025	$ (214,677,837)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	$ 101,040,592
DT	Property taxes, levied for debt service	26,004,024
SF	State-aid formula grants	94,400,991
IE	Investment earnings	2,446,240
MI	Miscellaneous	201,980
TR	**Total general revenues**	224,093,827
CN	Change in net position	9,415,990
NB	**Net position - beginning**	142,042,494
PA	Prior period adjustments	(382,554)
NE	**Net position - ending**	$ 151,075,930

See Notes to the Financial Statements

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit C-1*

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2017

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and temporary investments	$ 149,512,524	$ 8,424,949	$ 76,809,837	$ 5,888,891	$ 240,636,201
	Receivables:					
1220	Delinquent property taxes receivables	9,394,399	1,909,448	-	-	11,303,847
1230	Allowance for uncollectible taxes (credit)	(1,358,978)	(244,599)	-	-	(1,603,577)
1240	Receivables from other governments	5,261,809	-	-	1,632,128	6,893,937
1250	Accrued interest	9,500	-	-	-	9,500
1260	Due from other funds	2,292,135	5,887	-	-	2,298,022
1290	Other receivables	422,702	3,500	-	30,943	457,145
1300	Inventories, at cost	306,603	-	-	350,059	656,662
1490	Other current assets	500	-	-	-	500
1000	**Total Assets**	$ 165,841,194	$ 10,099,185	$ 76,809,837	$ 7,902,021	$ 260,652,237
	Liabilities and Fund Balance					
	Liabilities:					
2110	Accounts payable	$ 3,507,353	$ -	$ 10,427,489	$ 605,893	$ 14,540,735
2150	Payroll deductions and withholdings	2,440,324	-	-	-	2,440,324
2160	Accrued wages payable	6,043,493	-	10,420	310,733	6,364,646
2170	Due to other funds	5,887	3,500	16,415	2,268,022	2,293,824
2300	Unearned revenue	7,838	-	-	114,644	122,482
2000	**Total Liabilities**	12,004,895	3,500	10,454,324	3,299,292	25,762,011
	Deferred Inflows of Resources					
2600	Unavailable revenue - property taxes	8,035,421	1,664,849		-	9,700,270
	Total Deferred Inflows of Resources	8,035,421	1,664,849	-	-	9,700,270
	Fund Balance:					
	Nonspendable:					
3410	Inventories	306,603	-	-	-	306,603
	Restricted					
3450	Grants	-	-	-	3,577,122	3,577,122
3470	Capital acquisition program	-	-	66,355,513	-	66,355,513
3480	Debt service	-	8,430,836	-	-	8,430,836
	Committed					
3545	Campus activity	-	-	-	1,025,607	1,025,607
3590	**Assigned**	57,700,343	-	-	-	57,700,343
3600	**Unassigned**	87,793,932		-	-	87,793,932
3000	**Total Fund Balances**	145,800,878	8,430,836	66,355,513	4,602,729	225,189,956
4000	**Total Liabilities and Fund Balance**	$ 165,841,194	$ 10,099,185	$ 76,809,837	$ 7,902,021	$ 260,652,237

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

August 31, 2017

Data Control Codes		
	Total fund balance, governmental funds	$ 225,189,956
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	256,937,466
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	9,700,270
3	Deferred loss on refunding	2,877,064
4	Deferred inflows and outflows related to pension liability	21,506,068
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
5	General obligation bonds	(234,429,907)
6	Premiums on issuance	(14,710,521)
7	Accreted interest on premium compound interest bonds	(58,220,225)
8	Accrued compensated absences	(1,346,171)
9	Accrued interest payable	(473,373)
10	Net pension liability	(56,068,678)
11	Addition of Internal Service fund net position	113,981
19	**Total net position - governmental activities**	$ 151,075,930

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit C-3*

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2017

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 102,963,022	$ 25,987,015	$ 721,603	$ 3,665,990	$ 133,337,630
5800	State program revenues	103,124,625	293,518	-	3,616,939	107,035,082
5900	Federal program revenues	3,712,784	-	-	23,460,967	27,173,751
5020	**Total revenues**	209,800,431	26,280,533	721,603	30,743,896	267,546,463
	Expenditures					
	Current:					
0011	Instruction	113,171,760	-	-	10,534,259	123,706,019
0012	Instructional resources and media services	2,425,513	-	-	38,564	2,464,077
0013	Curriculum and instructional staff development	2,688,329	-	-	3,038,087	5,726,416
0021	Instructional leadership	5,305,626	-	-	598,112	5,903,738
0023	School leadership	13,755,434	-	-	208,763	13,964,197
0031	Guidance, counseling and evaluation services	6,925,027	-	-	397,783	7,322,810
0032	Social work services	693,915	-	-	190,016	883,931
0033	Health services	1,660,071	-	-	164,608	1,824,679
0034	Student transportation	9,599,197	-	-	288,038	9,887,235
0035	Food services	4,338	-	-	13,246,464	13,250,802
0036	Extracurricular activities	4,062,026	-	-	1,035,544	5,097,570
0041	General administration	8,280,820	-	-	2,699	8,283,519
0051	Facilities maintenance and operations	23,784,356	-	-	259,913	24,044,269
0052	Security and monitoring services	2,480,503	-	-	350	2,480,853
0053	Data processing services	3,530,105	-	-	300	3,530,405
0061	Community services	865,132	-	-	720,239	1,585,371
	Debt service:					
0071	Principal on long-term debt	344,959	47,872,501	-	-	48,217,460
0072	Interest on long-term debt	10,400	11,621,063	-	-	11,631,463
0073	Bond issuance costs and fees	2,310	503,126	1,252,341	-	1,757,777
	Capital outlay:					
0081	Facilities acquisition and construction expenditures	1,878,867	-	24,366,090	-	26,244,957
	Intergovernmental:					
0099	Payments to appraisal district	937,503	-	-	-	937,503
6030	**Total Expenditures**	202,406,191	59,996,690	25,618,431	30,723,739	318,745,051
1100	Excess (deficiency) of revenues over expenditures	7,394,240	(33,716,157)	(24,896,828)	20,157	(51,198,588)
	Other Financing Sources (Uses)					
7911	Refunding bonds issued	-	41,000,000	-	-	41,000,000
7911	Capital-related debt issued (regular bonds)	-	-	87,315,000	-	87,315,000
7912	Sale of real or personal property	86,812	-	-	10,135	96,947
7916	Premium on issuance of bonds	-	7,203,977	3,937,341	-	11,141,318
8940	Payment to bond refunding escrow agent	-	(13,213,931)	-	-	(13,213,931)
7080	Total other financing sources and uses	86,812	34,990,046	91,252,341	10,135	126,339,334
1200	Net change in fund balances	7,481,052	1,273,889	66,355,513	30,292	75,140,746
0100	**Fund Balance - beginning**	138,319,826	7,539,501	-	4,572,437	150,431,764
1300	Prior period adjustment	-	(382,554)	-	-	(382,554)
3000	**Fund Balance - ending**	$ 145,800,878	$ 8,430,836	$ 66,355,513	$ 4,602,729	$ 225,189,956

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit C-4*

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2017

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	$ 75,140,746
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlay	28,276,274
2	Governmental activities depreciation expense	(11,446,116)
3	Governmental funds report the entire sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus the change in net position differs from the change in fund balance by the book value of the assets sold and disposed. The District disposed of certain assets that resulted in a loss.	(7,676)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	846,697
5	Pension contributions and contribution adjustments made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.	5,016,762
6	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	14,407,460
7	Repayment for current refunding bond	33,810,000
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
8	Proceeds from issuance of capital-related bonds	(87,315,000)
9	Proceeds from issuance of bonds	(41,000,000)
10	Premium on issuance of bonds	(11,141,318)
11	Payments to refunding escrow agent	13,213,931
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
12	Increase in interest payable not recognized in fund statements	(109,218)
13	Increase in long-term portion of accrued compensated absences	(46,141)
14	Accreted interest on capital appreciation bonds	(5,166,663)
15	Amortization of premiums and of deferred loss on refunding	403,200
16	Capital appreciation bonds matured and related accreted interest	3,737,499
17	Pension expense for the pension plan measurement year	(9,197,726)
18	Internal service funds are used by management to charge the costs of certain activities, such as Copy Center, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds. (see D-2)	(6,721)
	Change in net position of governmental activities (see B-1)	$ 9,415,990

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT ***Exhibit D-1***

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2017

Data Control Codes		Governmental Activities Internal Service Fund
	Assets	
	Current Assets:	
1110	Cash and cash equivalents	$ 121,358
	Receivables:	
1290	Other receivables	550
	Total Current Assets	121,908
1000	**Total Assets**	121,908
	Liabilities	
	Current Liabilities:	
2110	Accounts payable	1,908
2160	Accrued wages payable	1,821
2170	Due to other funds	4,198
	Total Current Liabilities	7,927
2000	**Total Liabilities**	7,927
	Net Position	
3800	Unrestricted net position	$ 113,981

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT ***Exhibit D-2***

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended August 31, 2017

Data Control Codes		Governmental Activities Internal Service Fund
	Operating Revenues	
5749	Miscellaneous revenue from local sources	$ 249,935
5020	**Total Operating Revenues**	249,935
	Operating Expenses	
6100	Payroll costs	70,314
6200	Purchased and contracted services	144,532
6300	Supplies and materials	41,387
6400	Other operating expenses	423
6030	**Total Operating Expenses**	256,656
1200	Operating Income (Loss)	(6,721)
	Net Position:	
0100	**Net Position - September 1 (Beginning)**	120,702
3300	**Net Position - August 31 (Ending)**	$ 113,981

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended August 31, 2017

	Governmental Activities	
	Internal Service Fund	
Cash Flows from Operating Activities:		
Cash received from customers	$	249,385
Cash payments to suppliers for goods and services		(180,306)
Cash payments to employees		(70,314)
Net Cash Used for Operating Activities		(1,235)
Net Decrease in Cash and Cash Equivalents		(1,235)
Cash and Cash Equivalents at Beginning of Year		122,593
Cash and Cash Equivalents at End of Year	$	121,358
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(6,721)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Change in Assets and Liabilities:		
Decrease (increase) in Receivables		(550)
Increase (decrease) in Accounts Payable		1,838
Increase (decrease) in Interfund Payables		4,198
Net Cash Used for Operating Activities	$	(1,235)

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit E-1*

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2017

Data Control Codes		Private Purpose Trust Fund	Student Activity Fund
	Assets		
1110	Cash and cash equivalents	$ 75,663	$ 287,887
1000	**Total Assets**	75,663	$ 287,887
	Liabilities		
2110	Accounts payable	4,891	$ 20,515
2170	Due to other governments	-	410
2190	Due to student groups	-	266,962
2000	**Total Liabilities**	4,891	$ 287,887
	Net Postion		
3590	Held In Trust for Other Purposes	$ 70,772	

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended August 31, 2017

	Private Purpose Trust Fund
Additions	
Gifts and contributions	$ 9,764
Earnings on investments	19
Total Additions	9,783
Deductions	
Scholarships awarded	13,810
Total deductions	13,810
Change in net postion	(4,027)
Net postion, beginning of year	74,799
Net postion, end of year	$ 70,772

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

The Galena Park Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net position and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balances and on the proprietary fund statement of revenues, expenses and changes in fund net position. All interfund activities between governmental funds and internal service funds are eliminated on the government-wide statements. The District has no interfund services provided and used between functions that would be program revenue which would not be eliminated in the process of consolidation. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of net position.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District’s fiduciary funds include both agency funds and private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds use the *accrual basis of accounting* to recognize receivables and payables. Private-purpose trust funds employ the same *economic resources measurement focus* and *accrual basis of accounting* as do proprietary funds.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District reports the following nonmajor governmental funds:

- The *special revenue funds* are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the campus activity funds, funds are rolled over from year to year for use in the program.

Additionally, the District reports the following fund types:

- The *internal service fund* is used to account for the operations of the District's print shop.

- The *private-purpose trust fund* is used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.

- The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds for print shop services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1 - Summary of Significant Accounting Policies (continued)

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, external investment pools (LOGIC, Lone Star, Texas CLASS and TexPool) and other investment securities.

The District categorizes fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District’s local government investment pools are valued and recorded at amortized costs, which approximates fair value, as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants.*

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes, and are shown net of an allowance for uncollectible taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Harris County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

The tax rates applicable to the maintenance and operation and debt service for fiscal year 2017 were \$1.24330 and \$0.32000, respectively, based on a taxable value of \$8,161,446,159. Uncollected taxes are recorded as unavailable revenue in the fund financial statements net of the related allowance for uncollectible taxes.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is considered non-spendable to reflect minimum inventory quantities considered necessary for the District’s continuing operations.

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories and Prepaid Items (continued)

Beginning in 2014, the District no longer uses the consumption method as it relates to prepaid items. The District has opted to use the purchase method and in accordance with GAAP, prepaid items are not required to be recorded on the District's balance sheet.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, and furniture, fixtures and equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	40 years
Furniture, fixtures and equipment	10 years
Vehicles	10 years

Compensated Absences

The District has a vacation pay policy for non-contractual employees (administration and other full-time employees) whereby eligible employees shall receive vacation pay from one to fifteen days, dependent upon the number of years of service, after the completion of a year's service in the District. All vacation days must be used during the year and unused vacation pay cannot be carried over to future periods.

The District's sick leave policy is coordinated with a state mandated sick leave policy whereby substantially all full-time teaching and paraprofessional employees receive up to twelve days sick leave per year. State sick leave days accrue at the rate of five per year without limit to accumulation. The unused balance may be transferred to another District within the Texas public school system. All state sick leave days must be used prior to retirement from the Texas public school system to receive the benefit. The District pays for all state sick leave days used.

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

Additional local sick leave of up to seven days per year accrues to employees eligible to receive state mandated sick days. All employees not eligible for state mandated sick days may receive up to twelve days of local sick leave. Local sick leave may be accrued without limitation; however, the District does not pay accumulated local sick leave upon termination with the District. Employees are eligible to receive local sick leave upon qualified retirement from the District, dependent upon the number of years of service with the District.

Upon retirement, under an eligible retirement plan, an employee is eligible for reimbursement of accrued local sick leave based on the following schedule:

Years of Service	Salary Service Reimbursed	Maximum Reimbursement
Less than 20	$100/day for up to 50 local days	$5,000
20 - 30	$100/day for up to 75 local days	$7,500
31 - 35	$100/day for up to 100 local days	$10,000
Over 35	$100/day for up to 175 local days	$17,500

Compensated absences are liquidated from the General Fund when due and payable.

Long-term Obligations

The District's long-term obligations consist of bond indebtedness and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences and Qualified Zone Academy Bonds are liquated in the general fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- *Deferred outflows of resources for refunding* – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- *Deferred outflows of resources for pension* – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- *Deferred inflows of resources for unavailable revenues* – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements.

- *Deferred inflows of resources for pension* – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory has been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.

Note 1 - Summary of Significant Accounting Policies (continued)

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. Per Board Policy, CE Local, the Board has delegated authority to the Superintendent or Chief Financial Officer to establish fund balance assignments. As of August 31, 2017, assigned fund balance is as follows:

	General Fund
Average Daily Attendance Adjustment	$ 49,302
Board Room Renovations	500,000
Campus Budget Carryover	84,864
Campus Match for Fixed Asset Replacements	266,160
Capital and Lifecycle Expenditures	2,500,000
Contingency - Unanticipated Deficits or Revenue Reductions for Adverse Economic Conditions	31,874,520
Contingent Liability - Internal Revenue Service (IRS)	116,000
Cost associated with new construction	750,000
District Personnel Growth	797,950
Fine Arts Enhancements	300,000
Hurricane Harvey Repairs	525,000
Insurance Deductibles	4,590,603
Legal Fees Contingency	100,000
Master Teacher Program	2,500,000
Mid Year Hires	800,000
Outstanding Encumbrances	423,349
Potential Land Acquisition/Renovations	10,000,000
Technology Initiatives	1,522,595
Total Assigned Fund Balance	$ 57,700,343

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund. The District strives for a minimum unassigned General Fund Balance of ten to fifteen percent of operating expenditures. In the Debt Service Fund, the District's goal is to have a fund balance of fifteen percent of debt service expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Note 1 - Summary of Significant Accounting Policies (continued)

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide (FASRG). TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

The presentation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 82, *Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

GASB Statement No. 77, *Tax Abatement Disclosures*, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government’s tax revenues. In fiscal year 2017, the District did not have any tax abatement agreements that require disclosures.

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the TEA and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District's cash deposits as of August 31, 2017 of $7,172,834 were properly insured and collateralized with securities held by the District's agent in the District's name.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, repurchase agreements, or investment pools.

For fiscal year 2017, the District invested in the Local Government Investment Cooperative (LOGIC), Lone Star Investment Pool, Texas CLASS Investment Pool, and State of Texas TexPool.

Local Government Investment Cooperative ("LOGIC" or the "Cooperative") was organized in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Participation in the Cooperative is limited to those eligible Government Entities which have become parties to the Participation Agreement. The Cooperative's governing body is a six-member Board of Directors (the "Board") comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Cooperative. The Board has entered into a contract with First Southwest Asset Management, Inc. and JPMorgan Asset Management, Inc. to provide administrative, investment management fund accounting, transfer agency, participant and marketing services for the Cooperative. In compliance with the Public Funds Investment Act, all portfolios will maintain a "AAA" or equivalent rating from at least one nationally recognized rating agency. LOGIC has been assigned a rating of "AAA" by Standard & Poor's. The District's fair value in LOGIC is the same as the value of the pool shares.

The First Public (Lone Star Investment Pool) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. First Public is governed by trustees comprised of active participants in First Public. The Board of Trustees for First Public has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Lone Star Investment Pool is marked-to market daily to maintain an accurate net asset value. The District's fair value in Lone Star Investment Pool is the same as the value of the pool shares. First Public is rated "AAA" by Standard & Poor's.

Note 2 - Deposits and Investments (continued)

Investments (continued)

The District participates in the Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), an external investment pool. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated "AAAm" by Standard and Poor's Ratings Services. The "AAAm" principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management. The District's fair value in Texas CLASS is the same as the value of the pool shares.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated "AAAm" by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

Note 2 - Deposits and Investments (continued)

Investments (continued)

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

	Fair Value/ Amortized Cost	Weighted Average Maturity (Days)
Governmental Activities		
Cash and deposits	$ 4,046,054	N/A
Investments		
Local Government Investment Pools		
LOGIC	75,860,547	40
Lone Star	85,176,163	25
Texas CLASS	65,430,828	47
TexPool	243,967	34
Total Local Government Investment Pools	226,711,505	
Investment securities		
Federal Agricultural Mortgage Corporation	10,000,000	145
Total Investment Securities	10,000,000	
Total Investments	236,711,505	41
Total Governmental Activities	240,757,559	
Fiduciary Funds		
Cash and deposits	363,550	N/A
Total Fiduciary Funds	363,550	
Total Cash and Investments	$ 241,121,109	

Note 2 - Deposits and Investments (continued)

Interest Rate Risk*:*

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days, with the exception of bond proceeds that are matched to a specific cash flow; diversification; and by holding securities to maturity. In addition, the District shall not directly invest in an individual security maturing more than twenty-four months from the date of purchase.

Credit Risk*:*

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2017, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard and Poor's. The District's investments in Lone Star Corporate Overnight Plus Fund and LOGIC were rated "AAA" by Standard and Poor's. The District's investment securities in Federal Agricultural Mortgage Corporation were rated "AA+".

Concentration of Credit Risk*:*

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Note 3 – Receivables, Unavailable Revenues and Unearned Revenues

Receivables as of year-end for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Fund	Total
Property Taxes	$ 9,394,399	$ 1,909,448	$ -	$ -	$ 11,303,847
Due from other governments	5,261,809	-	1,632,128	-	6,893,937
Accrued interest	9,500	-	-	-	9,500
Other receivables	422,702	3,500	30,943	550	457,695
Gross Receivables	15,088,410	1,912,948	1,663,071	550	18,664,979
Less allowance for doubtful accounts	(1,358,978)	(244,599)	-	-	(1,603,577)
Net Total Receivables	$ 13,729,432	$ 1,668,349	$ 1,663,071	$ 550	$ 17,061,402

This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item at the fund financial statement level, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition, the District records unearned revenue for grant funds received in advance but not have been earned.

Note 3 – Receivables, Unavailable Revenues and Unearned Revenues (continued)

At the end of the current fiscal year, the District's deferred inflows related to unavailable property taxes and unearned revenues reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	$ 8,035,421	$ -
Delinquent property taxes receivable (Debt Service Fund)	1,664,849	-
Grant funds received prior to meeting all eligibility requirements	-	122,482
	$ 9,700,270	$ 122,482

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Additions	(Retirements) and Transfers	Balance August 31, 2017
Capital assets, not being depreciated				
Land	$ 17,691,214	$ 1,484,390	$ -	$ 19,175,604
Construction in progress	-	15,127,517	-	15,127,517
Total Capital Assets, not being depreciated	17,691,214	16,611,907	-	34,303,121
Capital assets, being depreciated				
Buildings and improvements	343,742,377	7,757,855	-	351,500,232
Furniture and equipment	26,304,248	1,005,941	(113,141)	27,197,048
Vehicles	11,609,999	2,900,571	(1,014,063)	13,496,507
Total Capital Assets, being depreciated	381,656,624	11,664,367	(1,127,204)	392,193,787
Less accumulated depreciation for:				
Buildings and improvements	(139,003,047)	(8,107,530)	-	(147,110,577)
Furniture and Equipment	(12,773,919)	(2,455,191)	108,546	(15,120,564)
Vehicles	(7,455,888)	(883,395)	1,010,982	(7,328,301)
Total Accumulated Depreciation	(159,232,854)	(11,446,116)	1,119,528	(169,559,442)
Governmental Capital Assets	$ 240,114,984	$ 16,830,158	$ (7,676)	$ 256,937,466

Depreciation expense was charged to functions/programs of the District as follows:

Function	Depreciation Expense
11 Instruction	$ 7,324,787
12 Instructional resources and media services	285,532
21 Instructional leadership	4,399
23 School leadership	8,794
31 Guidance, counseling and evaluation services	373,585
32 Social work services	16,528
34 Student transportation	737,965
35 Food Services	914,755
36 Extracurricular activities	92,360
41 General administration	24,295
51 Facilities maintenance and operations	1,137,816
52 Security and monitoring services	48,914
53 Data processing services	476,386
	$ 11,446,116

Note 4 - Capital Assets (continued)

The District has active construction projects as of August 31, 2017. As of the end of the current fiscal year, the District's commitments with contractors are as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Cloverleaf Elementary - Replacement	$ 27,620,703	$ 98,622	$ 27,522,081
Galena Park Elementary - Replacement	23,789,052	4,843,120	18,945,932
Galena Park High School - Additions/Renovations	21,538,717	103,572	21,435,145
Jacinto City Elementary - Replacement	27,620,703	58,330	27,562,373
North Shore Elementary - Replacement	30,201,494	3,770,326	26,431,168
North Shore Senior High 10th Grade Center - Addition	30,612,235	4,092,255	26,519,980
Pyburn Elementary - Replacement	23,201,092	50,112	23,150,980
Woodland Acres Elementary - Replacement	20,309,667	2,111,180	18,198,487
	$ 204,893,663	$ 15,127,517	$ 189,766,146

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Activity between the debt service fund and the capital projects fund results primarily from the capital projects fund interest earnings that are used for debt service payments. Additionally, some lending/borrowing may occur between the general fund, child nutrition fund and two or more non-major governmental funds.

The composition of interfund balances as of August 31, 2017, is as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 2,292,135	$ 5,887
Debt Service Fund	5,887	3,500
Capital Projects Fund	-	16,415
Nonmajor Governmental Funds	-	2,268,022
Internal Service Fund	-	4,198
	$ 2,298,022	$ 2,298,022

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The District did not have any interfund transfers for the year ended August 31, 2017.

Note 6 - Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Issued and Additions	Retired and Refunded	Balance August 31, 2017	Due Within One Year
Bonds Payable					
General Obligation Bonds	$ 165,657,533	$ 128,315,000	$ (60,577,501)	$ 233,395,032	$ 12,389,523
Plus: Premiums and discount on issuance of Bonds	4,437,079	11,141,318	(867,876)	14,710,521	-
Qualified Zone Academy Bonds	1,379,834	-	(344,959)	1,034,875	344,959
Total Bonds Payable	171,474,446	139,456,318	(61,790,336)	249,140,428	12,734,482
Accretion on Compound Interest Bonds	56,791,061	5,166,663	(3,737,499)	58,220,225	3,695,477
Compensated Absences	1,300,030	251,107	(204,966)	1,346,171	260,019
	$ 229,565,537	$ 144,874,088	$ (65,732,801)	$ 308,706,824	$ 16,689,978

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Bond Series	Issue Amount	Interest Rate (%)	Matures	Amount Outstanding
1996 Unlimited Tax School Bldg & Refunding Bonds	$ 40,054,475	4.40-6.425	2031	$ 9,493,594
2002 Unlimited Tax School Bldg & Refunding Bonds	29,496,438	3.00-5.00	2032	16,626,438
2003 Maintenance Tax Note ("QZAB")	8,000,000	0.13	2019	1,034,875
2008 Unlimited Tax School Building Bonds	18,000,000	4.50-5.25	2034	15,960,000
2010 Unlimited Tax School Building Bonds	17,000,000	4.00-5.00	2034	16,260,000
2011 Unlimited Tax School Building Bonds	9,250,000	2.00-4.00	2026	8,425,000
2012 Unlimited Tax Refunding Bonds	9,234,299	2.50-3.25	2032	7,465,000
2013 Unlimited Tax Refunding Bonds	9,440,000	3.00-3.75	2032	3,650,000
2013 Unlimited Tax Refunding Taxable Bonds	28,550,000	4.00-4.50	2021	15,675,000
2014 Unlimited Tax Refunding Bonds	8,970,000	2.00-3.25	2033	8,390,000
2015 Unlimited Tax Refunding Bonds	9,505,000	2.00-4.00	2026	6,980,000
2016 Unlimited Tax School Bldg & Refunding Bonds	98,595,000	2.00-5.00	2041	95,030,000
2017 Unlimited Tax Refunding Bonds	29,720,000	2.00-5.00	2033	29,440,000
	Total Bonds Payable			234,429,907
	Plus: Unamortized Premiums on Issuance			14,710,521
				249,140,428
	Less: Current Portion			(12,734,482)
				$ 236,405,946

On October 15, 2016, the District issued $98,595,000 Unlimited Tax School Building and Refunding Bonds, Series 2016 to refund outstanding bonds prior to their scheduled maturities; the refunded bonds in the amount of $12,705,000 are treated as an advance refunding. The District deposited directly with the paying agent into an escrow fund in the amount of approximately $13,213,931, recorded as other financing uses, sufficient to provide the payment, redemption, or defeasance of all or a portion of the defeased bonds. Defeased bonds were called on August 15, 2017, as such none of the defeased bonds remain outstanding as of August 31, 2017.

Note 6 - Long-term Liabilities (continued)

Change in Long-term Liabilities (continued)

Premiums on the Bonds Series 2016 totaled $6,042,571, and interest rates ranged from 2 percent to 5 percent. The District paid a total of $1,423,640 in issuance costs. The reacquisition price exceeded the net carrying amount of the old debt by $539,395; this amount is being netted against and amortized over the shorter of the life of the new or old debt. The proceeds from the sale of the Bonds of $87,315,000 will be used to (i) acquire, construct, renovate and equip school buildings in the District and the purchase of land for school sites, (ii) refund a portion of the District's outstanding bonds for debt service savings, and (iii) pay the costs of issuing the Bonds. The transaction resulted in an economic gain of $2,023,973.

On May 18, 2017, the District issued $29,720,000 Unlimited Tax Building and Refunding Bonds, Series 2017 to refund outstanding bonds prior to their scheduled maturities; the refunded bonds in the amount of $33,810,000 are treated as a current refunding. The District deposited directly with the paying agent into an escrow fund in the amount of approximately $34,493,920, sufficient to provide the payment, redemption, or defeasance of all or a portion of the defeased bonds and such deposit shall continue the making of firm banking and financial arrangements for the discharge and final payment or redemption of the defeased bonds. Defeased bonds were called on August 15, 2017, as such none of the defeased bonds remain outstanding as of August 31, 2017. The escrow proceeds of $34,493,920 were recorded as debt service expenditures and not other financing uses since the refunding date is within 90 days of the call date of the defeased bonds.

Premiums on the bonds totaled $5,098,747 and interest rates ranged from 2 percent to 5 percent. The District paid a total of $324,827 in issuance costs. The reacquisition price exceeded the net carrying amount of the old debt by $81,070; this amount is being netted against and amortized over the shorter of the life of the new or old debt. The proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds for debt service savings, and (ii) pay the costs of issuing the Bonds. The transaction resulted in an economic gain of $4,863,107.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	$ 12,734,482	$ 8,131,728	$ 20,866,210
2019	13,040,712	7,783,764	20,824,476
2020	12,726,567	7,880,239	20,606,806
2021	13,466,758	6,560,826	20,027,584
2022	12,265,716	6,033,964	18,299,680
2023 - 2027	61,737,926	22,467,202	84,205,128
2028 - 2032	42,377,746	14,377,408	56,755,154
2033 - 2037	42,610,000	6,387,546	48,997,546
2038 - 2042	23,470,000	1,449,739	24,919,739
	$ 234,429,907	$ 81,072,416	$ 315,502,323
Less Current Portion	12,734,482		
Long Term Debt	$ 221,695,425		

Note 6 - Long-term Liabilities (continued)

Change in Long-term Liabilities (continued)

In prior years, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the District's financial statements. At August 31, 2017, $20,320,000 of refunded bonds outstanding is considered defeased.

Accreted Interest on Premium Compound Interest Bonds

A portion of the bonds sold in the Series 1996, 2002 and 2014 refunding bond issues were capital appreciation bonds commonly referred to as "premium compound interest bonds." The District annually records the appreciation of bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bond series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

Capital Appreciation Bonds	Maturity	Maturity Value of Bonds	Original Bond Principal Amount	Accreted Interest On Bonds	Accreted Value of Bonds at Year End
1996	2018-2031	$ 80,840,000	$ 13,279,475	$ 33,074,234	$ 46,353,709
2002	2022-2032	79,000,000	16,626,438	24,542,543	41,168,981
2014	2020	995,000	330,000	603,448	933,448
		$ 160,835,000	$ 30,235,913	$ 58,220,225	$ 88,456,138

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	$ 100,420,914	$ 25,777,005	$ -	$ -	$ 126,197,919
Investment Income	1,454,166	210,010	721,603	60,461	2,446,240
Co-curricular Student Activities	242,014	-	-	1,394,293	1,636,307
Food Sales	-	-	-	2,147,598	2,147,598
Other	845,928	-	-	63,638	909,566
	$ 102,963,022	$ 25,987,015	$ 721,603	$ 3,665,990	$ 133,337,630

Note 8 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Note 8 - Defined Benefit Pension Plan (continued)

Contributions (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2016	**2017**
Member (Employee)	7.20%	7.70%
District (Employer)	6.80%	6.80%
Non-employer contributing agency (State)	6.80%	6.80%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

	Measurement Year (2016)	**Fiscal Year (2017)**
	Contributions Required and Made	**TRS Contributions**
Member (Employee)	$ 10,485,648	$ 11,685,664
District (Employer)	4,714,247	5,007,387
Non-employer contributing agency (State)	7,070,299	7,152,244

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Note 8 - Defined Benefit Pension Plan (continued)

Contributions (continued)

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.50%
Salary Increases*	3.50% to 9.50% including inflation
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 8 - Defined Benefit Retirement Plan (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	**Target Allocation**	**Real Return Geometric Basis**	**Long Term Expected Portfolio Real Rate of Return***
Global Equity			
U.S	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	Discount Rate		
	1% Decrease (7%)	**Current Rate (8%)**	**1% Increase (9%)**
District's proportional share of the net pension liability	$ 86,775,426	$ 56,068,678	$ 30,023,148

Note 8 - Defined Benefit Retirement Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the District reported a liability of $56,068,678 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability		0.1484%
District's proportionate share of the net pension liability	$	56,068,678
State's proportionate share of the net pension liability associated with the District		83,923,356
Total	$	139,992,034

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016. Pension liabilities have been liquidated in prior years from the General Fund.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.1484% which was an increase from its proportion measured as of August 31, 2015 of 0.1397%.

Changes since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Note 8 - Defined Benefit Retirement Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended August 31, 2017, the District recognized pension expense of $9,197,726 as well as revenue of $8,709,243 representing pension expense incurred by the State on behalf of the District.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 879,146	$ (1,674,178)
Changes in assumptions	1,708,873	(1,554,149)
Difference between projected and actual investment earnings	10,804,511	(6,056,731)
Changes in proportion and differences between District contributions and proportionate share of contributions	12,395,671	(4,462)
District contributions subsequent to the measurement date	5,007,387	
Total	$ 30,795,588	$ (9,289,520)

The $5,007,387 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	
2018	(2,840,882)
2019	(2,840,882)
2020	(5,869,247)
2021	(2,608,201)
2022	(1,725,126)
2023	(614,343)
	$ (16,498,681)

Note 9 - Retiree Health Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the TRS. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575 that grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

Note 9 - Retiree Health Plan (continued)

Plan Description (continued)

TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas contribution rate was 1.0 percent effective September 1, 2014, while active public school employee contribution rate was 0.65 percent of public school payroll, with school districts contributing a percentage of payroll set aside at 0.55 percent for fiscal years 2017, 2016, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0 percent effective September 1, 2014.

Contributions made by the State, District, and staff members, for the years ended August 31, 2017, 2016, and 2015, are as follows:

For the Year Ended August 31,	State TRS Care Contributions Made on Behalf of the District	District Required Contributions to TRS Care	Staff Members Contributions to TRS Care	Total Covered Payroll
2017	$ 1,398,634	$ 963,583	$ 986,449	$ 151,760,707
2016	1,340,578	916,754	946,632	145,634,727
2015	1,272,995	875,679	901,067	138,624,105

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District. For the years ended August 31, 2017, 2016, and 2015 the subsidy payments received by TRS-Care on behalf of the District are as follows:

Fiscal Year	**Medicare Part D**
2017	$ 461,626
2016	574,248
2015	580,483

Note 10 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District is a member of the Texas Association of School Boards Joint Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and educators' liability and fleet comprehensive, collision, and liability coverage. The Districts agreement with the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. There has not been any significant reduction of insurance coverage in the last three years. Employees of the District are covered by a fully-insured medical and dental plan through United Health Care. The District and employee contributions are paid directly to the carrier and the carrier assumes all liability to the plan.

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial. From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

Note 12 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. As of August 31, 2017, there was no liability related to arbitrage.

Note 13 – Prior Period Adjustment

The following is a summary of the prior period adjustments to the net position of the governmental activities:

Net Position as originally presented	$ 142,042,494
Prior Period Restatement	
Effect of correction of an error -	
overstated receivable from state agency	(382,554)
Net Position as restated	$ 141,659,940

Note 13 – Prior Period Adjustment continued)

The following is a summary of the prior period adjustment to the fund balance in the governmental funds:

Fund Balance as originally presented	$ 150,431,764
Prior Period Restatement	
Effect of correction of an error -	
overstated receivable from state agency	(382,554)
Fund Balance as restated	$ 150,049,210

REQUIRED SUPPLEMENTARY INFORMATION

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2017

Data Control Codes		Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local revenues	$ 102,999,100	$ 102,077,489	$ 102,963,022	$ 885,533
5800	State program revenues	99,827,200	102,794,371	103,124,625	330,254
5900	Federal program revenues	1,895,000	2,750,000	3,712,784	962,784
5020	**Total revenues**	204,721,300	207,621,860	209,800,431	2,178,571
	Expenditures				
	Current:				
0011	Instruction	116,400,600	115,256,875	113,171,760	2,085,115
0012	Instructional resources and media services	2,524,900	2,581,731	2,425,513	156,218
0013	Curriculum and staff development	3,406,100	3,006,739	2,688,329	318,410
0021	Instructional leadership	5,168,900	5,469,808	5,305,626	164,182
0023	School leadership	13,639,100	13,764,720	13,755,434	9,286
0031	Guidance, counseling and evaluation services	7,509,900	7,267,668	6,925,027	342,641
0032	Social work services	791,600	840,737	693,915	146,822
0033	Health services	1,698,200	1,713,547	1,660,071	53,476
0034	Student transportation	7,170,500	10,095,589	9,599,197	496,392
0035	Food services	10,700	10,700	4,338	6,362
0036	Extracurricular activities	4,313,600	4,541,779	4,062,026	479,753
0041	General administration	8,491,600	8,615,872	8,280,820	335,052
0051	Facilities maintenance and operations	24,278,900	24,622,911	23,784,356	838,555
0052	Security and monitoring services	2,517,800	2,760,673	2,480,503	280,170
0053	Data processing services	3,836,800	3,948,183	3,530,105	418,078
0061	Community services	890,100	953,226	865,132	88,094
	Debt Service:				
0071	Principal on long-term debt	355,400	355,400	344,959	10,441
0072	Interest on long-term debt	10,400	10,400	10,400	-
0073	Bond issuance costs and fees	5,200	5,200	2,310	2,890
	Capital outlay:				
0081	Facilities acquisition and construction	733,500	2,376,484	1,878,867	497,617
	Intergovernmental:				
0099	Payments to appraisal district	967,500	967,500	937,503	29,997
6030	**Total Expenditures**	204,721,300	209,165,742	202,406,191	6,759,551
1100	Excess (deficiency) of revenues over expenditures	-	(1,543,882)	7,394,240	8,938,122
	Other Financing Sources (Uses)				
7912	Sale of real or personal property	-	-	86,812	86,812
7080	**Total other financing sources and uses**	-	-	86,812	86,812
1200	Net change in fund balances	-	(1,543,882)	7,481,052	9,024,934
0100	**Fund balances - beginning**	138,319,826	138,319,826	138,319,826	-
3000	**Fund balances - ending**	$ 138,319,826	$ 136,775,944	$ 145,800,878	$ 9,024,934

See Notes to the Required Supplementary Information.

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2017.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 23, 2016. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit G-3*

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Teacher Retirement System of Texas

For the Last Three Measurement Years Ended August 31

	2016	2015	2014
District's proportion of the net pension liability	0.1484%	0.1397%	0.0961%
District's proportionate share of the net pension liability	$ 56,068,678	$ 49,393,685	$ 25,667,021
State's proportionate share of the net pension liability associated with the District	83,923,356	80,743,272	68,611,587
Total	$ 139,992,034	$ 130,136,957	$ 94,278,608
District's covered-employee payroll (for Measurement Year)	$ 145,634,727	$ 138,624,105	$ 130,249,117
District's proportionate share of the net pension liability as a percentage of it's covered employee payroll	38.50%	35.63%	19.70%
Plan fiduciary net position as a percentage of the total pension liability*	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll*	92.75%	91.94%	72.89%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014.
Net pension liability and related ratios will be presented propectively as data becomes available.

* Per TRS CAFR

GALENA PARK INDEPENDENT SCHOOL DISTRICT ***Exhibit G-4***

SCHEDULE OF DISTRICT CONTRIBUTIONS

Teacher Retirement System of Texas

Last Ten Fiscal Years Ended August 31

	2017	2016	2015	2014	2013
Contractually required contributions	$ 5,007,387	$ 4,714,247	$ 4,140,459	$ 2,436,154	$ 2,012,917
Contributions in relation to the contractual required contributions	5,007,387	4,714,247	4,140,459	2,436,154	2,012,917
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 151,760,707	$ 145,634,727	$ 138,624,105	$ 130,249,117	$ 126,142,312
Contributions as a percentage of covered employee payroll	3.30%	3.24%	2.99%	1.87%	1.60%

	2012	2011	2010	2009	2008
Contractually required contributions	$ 2,078,627	$ 2,130,068	$ 3,091,417	$ 1,963,291	$ 1,512,630
Contributions in relation to the contractual required contributions	2,078,627	2,130,068	3,091,417	1,963,291	1,512,630
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 127,628,389	$ 133,037,350	$ 132,200,257	$ 123,970,078	$ 117,353,282
Contributions as a percentage of covered employee payroll	1.63%	1.60%	2.34%	1.58%	1.29%

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes of Assumptions

There were no changes to the actuarial assumptions or other inputs that affected the total pension liability since the prior measurement period.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

OTHER SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for all federal, state and locally-funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational goals. Grants included in the Special Revenue Funds are described below.

Fund Number	Fund Name & Description
205	**Head Start** – funds used to promote the school readiness of low-income preschool children (ages 3-5), including children of migratory seasonal and farm workers, and infants and toddlers (birth through age 3) by enhancing their cognitive social and emotional development in learning environments that support their growth in language, literacy, mathematics, science, social and emotional functioning, creative art, physical skills and approaches to learning.
206	**McKinney - Vento Support for Homeless Education** - to ensure the enrollment, attendance and success of homeless children and youth in school.
211	**ESEA, Title I, Part A - Basic** - supplemental service designed to accelerate the academic achievement of economically disadvantaged students, especially in the tested areas, to ensure that state standards are met on identified campuses.
212	**ESEA Title I, Part C** – for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fisherman.
224	**IDEA, Part B - Formula** - salaries and supplies to aid children with disabilities with low reading achievement.
225	**IDEA, Part B - Preschool** - aids preschool students with disabilities.
226	**IDEA, Part B - High Cost Risk Pool** - assists with high need students with disabilities whose direct special education and related services costs exceed $25,000 per school year.
240	**Child Nutrition Program** – federal reimbursement revenues originating from the United States Department of Agriculture and fees from child and adult meals.
244	**Vocational Education - Basic** - funds are for the use of various vocationally-inclined students in regular, disadvantaged and disability classes.
255	**ESEA, Title II, Part A - TPTR (Teacher and Principal Training and Recruiting)** - supplements the professional development, retention and recruitment programs district-wide, specifically on high needs campuses.
263	**ESEA, Title III, Part A - English Language Acquisition** - provides additional educational opportunities to supplement programs for students of limited English proficiency and immigrant children by assisting the children to learn English and meet challenging
265	**21st Century Community Learning Centers -** provides after-school activities for students in elementary through high school.

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Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

Fund Number	Fund Name & Description
288	**Summer School LEP -** provides funds for summer school programs for LEP students.
289	**Various Federal Funds -** supports and encourages the development of new, self-supporting, community anti-drug coalitions; early childhood summer programs, library grants and wetlands and water education.
397	**Advanced Placement Incentives** - enhancement of Advanced Placement programs on specific campuses based on student scores on Advanced Placement examinations.
410	**Instructional Materials Allotment** - provides funds to purchase instructional materials, technological equipment and technology-related services.
427	**State Funded Special Revenue Funds -** provides funds to help schools fund various programs.
429	**Other State Funded Special Revenue Funds -** provides funds to help schools fund various programs including mentors and campus awards.
461	**Campus Activity** - proceeds from fundraising activities, vending sales, corporate and private donations to school-sponsored activities benefiting students and staff of the campus.
481	**Other Local Grants -** grants from local businessess or organizations to be used for educational activities.
486	**Miscellaneous Donations** – local donations used for specific education purposes as specified by the donor.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2017

Data Control Codes		205 Head Start Program	206 Support for Homeless Educ. Prog.	211 ESEA Title I, Part A Improving Basic Programs
	Assets			
1110	Cash and temporary investments	$ -	$ -	$ -
	Receivables:			
1240	Receivables from other governments	62,611	1,335	380,930
1290	Other receivables	-	-	-
1310	Inventories, at cost	-	-	-
1000	**Total Assets**	$ 62,611	$ 1,335	$ 380,930
	Liabilites and Fund Balance			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ 7,326	$ -	$ 10,901
2160	Accrued wages payable	17,841	-	12,117
2170	Due to other funds	37,444	1,335	357,912
2300	Unearned revenues	-	-	-
2000	**Total Liabilities**	62,611	1,335	380,930
	Fund Balances:			
	Restricted			
3450	Grants	-	-	-
	Committed			
3545	Campus activity	-	-	-
3000	**Total Fund Balances**	-	-	-
4000	**Total Liabilities and Fund Balance**	$ 62,611	$ 1,335	$ 380,930

212	224	225	226	240	244
ESEA Title I, Part C	**IDEA B Formula**	**IDEA B Preschool Grant**	**IDEA B-Discretionary**	**Child Nutrition Fund**	**Vocational Ed - Basic**
$ -	$ -	$ 3,681	$ -	$ 4,573,522	$ -
19,635	533,151	1,787	228,802	109,329	-
-	-	-	-	15,605	-
-	-	-	-	350,059	-
$ 19,635	$ 533,151	$ 5,468	$ 228,802	$ 5,048,515	$ -
$ -	$ 23,869	$ -	$ -	$ 458,958	$ -
4,851	83,743	3,050	-	136,516	-
14,784	425,539	2,418	228,802	1,000,791	-
-	-	-	-	-	-
19,635	533,151	5,468	228,802	1,596,265	-
-	-	-	-	3,452,250	-
-	-	-	-	-	-
-	-	-	-	3,452,250	-
$ 19,635	$ 533,151	$ 5,468	$ 228,802	$ 5,048,515	$ -

GALENA PARK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2017

Data Control Codes		255 Title II, Part A	263 Title III, Part A	265 21st Century Grant
	Assets			
1110	Cash and temporary investments	$ -	$ -	$ -
	Receivables:			
1240	Receivables from other governments	72,051	42,132	59,911
1290	Other receivables	-	-	-
1310	Inventories, at cost	-	-	-
1000	**Total Assets**	$ 72,051	$ 42,132	$ 59,911
	Liabilites and Fund Balance			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ -	$ 3,844	$ -
2160	Accrued wages payable	10,155	9,903	6,206
2170	Due to other funds	61,896	28,385	53,705
2300	Unearned revenues	-	-	-
2000	**Total Liabilities**	72,051	42,132	59,911
	Fund Balance:			
	Restricted			
3450	Grants	-	-	-
	Committed			
3545	Campus activity	-	-	-
3000	**Total Fund Balances**	-	-	-
4000	**Total Liabilities and Fund Balance**	$ 72,051	$ 42,132	$ 59,911

288	289	397	410	427	429
Summer School LEP	Various Federal Funds	Advanced Placement Incentive	Instructional Materials Allotment	State Funded Special Revenue Funds	State Funded Special Revenue
$ 40,492	$ 2,552	$ 7,917	$ 149,141	$ 282	$ -
-	-	-	-	-	120,454
-	-	-	3,958	-	-
-	-	-	-	-	-
$ 40,492	$ 2,552	$ 7,917	$ 153,099	$ 282	$ 120,454
$ -	$ -	$ -	$ 28,227	$ -	$ 33,046
-	2,552	-	-	-	6,722
-	-	-	-	-	48,124
40,492	-	7,917	-	282	32,562
40,492	2,552	7,917	28,227	282	120,454
-	-	-	124,872	-	-
-	-	-	-	-	-
-	-	-	124,872	-	-
$ 40,492	$ 2,552	$ 7,917	$ 153,099	$ 282	$ 120,454

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GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit H-1*

COMBINING BALANCE SHEET ***Page 3 of 3***

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2017

Data Control Codes		461 Campus Activity Funds	481 Other Local Funds	486 Miscellaneous Donations	Total Nonmajor Governmental Funds
	Assets				
1110	Cash and temporary investments	$ 1,080,377	$ 29,839	$ 1,088	$ 5,888,891
	Receivables:				
1240	Receivables from other governments	-	-	-	1,632,128
1290	Other receivables	4,076	7,304	-	30,943
1310	Inventories, at cost	-	-	-	350,059
1000	**Total Assets**	$ 1,084,453	$ 37,143	$ 1,088	$ 7,902,021
	Liabilites and Fund Balance				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	$ 34,882	$ 4,840	$ -	$ 605,893
2160	Accrued wages payable	17,077	-	-	310,733
2170	Due to other funds	6,887	-	-	2,268,022
2300	Unearned revenues	-	32,303	1,088	114,644
2000	**Total Liabilities**	58,846	37,143	1,088	3,299,292
	Fund Balance:				
	Restricted				
3450	Grants	-	-	-	3,577,122
	Committed				
3545	Campus activity	1,025,607	-	-	1,025,607
3000	**Total Fund Balances**	1,025,607	-	-	4,602,729
4000	**Total Liabilities and Fund Balance**	$ 1,084,453	$ 37,143	$ 1,088	$ 7,902,021

GALENA PARK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2017

Data Control Codes		205 Head Start Program	206 Support for Homeless Educ. Prog.	211 ESEA Title I, Part A Improving Basic Programs
	Revenues			
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	794,569	99,038	5,124,232
5020	**Total revenues**	794,569	99,038	5,124,232
	Expenditures			
	Current:			
0011	Instruction	-	42,530	3,580,344
0012	Instruction resources and media services	-	-	1,285
0013	Curriculum and instructional staff development	-	-	1,115,368
0021	Instructional leadership	121,162	392	152,141
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	24,986	5,208	-
0033	Health services	68,178	-	-
0034	Student transportation	-	50,908	188,718
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	580,243	-	86,376
6030	**Total Expenditures**	794,569	99,038	5,124,232
1100	Excess (deficiency) of revenues over expenditures	-	-	-
	Other Financing Sources (Uses)			
7912	Sale of real or personal property	-	-	-
7080	**Total other financing sources and uses**	-	-	-
1200	Net change in fund balances	-	-	-
0100	**Fund balance - beginning**	-	-	-
3000	**Fund balance - ending**	$ -	$ -	$ -

	212	224	225	226	240	244
	ESEA Title I, Part C	**IDEA B Formula**	**IDEA B Preschool Grant**	**IDEA B-Discretionary**	**Child Nutrition Fund**	**Vocational Ed - Basic**
	$ -	$ -	$ -	$ -	$ 2,208,059	$ -
	-	-	-	-	80,136	-
	176,096	3,681,075	79,560	228,802	11,193,843	246,422
	176,096	3,681,075	79,560	228,802	13,482,038	246,422
	49,639	2,547,548	79,560	151,207	-	246,422
	-	-	-	-	-	-
	-	605,778	-	-	-	-
	86,154	78,746	-	-	-	-
	-	1,050	-	-	-	-
	-	397,658	-	-	-	-
	35,324	-	-	-	-	-
	-	18,835	-	77,595	-	-
	437	30,049	-	-	-	-
	-	-	-	-	13,246,464	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	240,852	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	4,542	1,411	-	-	-	-
	176,096	3,681,075	79,560	228,802	13,487,316	246,422
	-	-	-	-	(5,278)	-
	-	-	-	-	10,135	-
	-	-	-	-	10,135	-
	-	-	-	-	4,857	-
	-	-	-	-	3,447,393	-
	$ -	$ -	$ -	$ -	$ 3,452,250	$ -

GALENA PARK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2017

Data Control Codes		255 Title II, Part A	263 Title III, Part A	265 21st Century Grant
	Revenues			
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	617,128	890,811	307,558
5020	**Total revenues**	617,128	890,811	307,558
	Expenditures			
	Current:			
0011	Instruction	5,826	395,738	189,960
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	599,151	474,037	-
0021	Instructional leadership	12,151	14,027	117,573
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	7,009	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	25
6030	**Total Expenditures**	617,128	890,811	307,558
1100	Excess (deficiency) of revenues over expenditures	-	-	-
	Other Financing Sources (Uses)			
7912	Sale of real or personal property	-	-	-
7080	Total other financing sources and uses	-	-	-
1200	Net change in fund balances	-	-	-
0100	**Fund balance - September 1 (beginning)**	-	-	-
3000	**Fund balance - August 31 (ending)**	$ -	$ -	$ -

288	289	397	410	427	429
Summer School LEP	**Various Federal Funds**	**Advanced Placement Incentive**	**Instructional Materials Allotment**	**State Funded Special Revenue Funds**	**State Funded Special Revenue**
$ -	$ -	$ -	$ -	$ -	$ 4,571
-	-	12,968	2,779,972	367	743,496
21,708	125	-	-	-	-
21,708	125	12,968	2,779,972	367	748,067
18,013	-	-	2,676,842	-	371,684
-	-	-	-	367	-
136	-	12,968	-	-	204,720
-	-	-	300	-	4,520
-	-	-	-	-	-
-	125	-	-	-	-
-	-	-	-	-	124,498
-	-	-	-	-	-
3,559	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	600	-	-
-	-	-	-	-	-
-	-	-	300	-	-
-	-	-	-	-	42,645
21,708	125	12,968	2,678,042	367	748,067
-	-	-	101,930	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	101,930	-	-
-	-	-	22,942	-	-
$ -	$ -	$ -	$ 124,872	$ -	$ -

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2017

Data Control Codes		461 Campus Activity Funds	481 Other Local Funds	486 Miscellaneous Donations	Total - Nonmajor Governmental Funds
	Revenues				
5700	Local, intermediate, and out-of-state	$ 1,394,293	$ 58,143	$ 924	$ 3,665,990
5800	State program revenues	-	-	-	3,616,939
5900	Federal program revenues	-	-	-	23,460,967
5020	**Total revenues**	1,394,293	58,143	924	30,743,896
	Expenditures				
	Current:				
0011	Instruction	165,666	13,280	-	10,534,259
0012	Instruction resources and media services	30,113	6,799	-	38,564
0013	Curriculum and instructional staff development	6,393	19,536	-	3,038,087
0021	Instructional leadership	3,278	7,668	-	598,112
0023	School leadership	198,618	9,095	-	208,763
0031	Guidance, counseling and evaluation services	-	-	-	397,783
0032	Social work services	-	-	-	190,016
0033	Health services	-	-	-	164,608
0034	Student transportation	7,358	-	-	288,038
0035	Food services	-	-	-	13,246,464
0036	Extracurricular activities	1,035,044	500	-	1,035,544
0041	General administration	2,699	-	-	2,699
0051	Facilities maintenance and operations	18,461	-	-	259,913
0052	Security and monitoring services	350	-	-	350
0053	Data processing services	-	-	-	300
0061	Community services	2,808	1,265	924	720,239
6030	**Total Expenditures**	1,470,788	58,143	924	30,723,739
1100	Excess (deficiency) of revenues over expenditures	(76,495)	-	-	20,157
	Other Financing Sources (Uses)				
7912	Sale of real or personal property	-	-	-	10,135
7080	Total other financing sources and uses	-	-	-	10,135
1200	Net change in fund balances	(76,495)	-	-	30,292
0100	**Fund balance - September 1 (beginning)**	1,102,102	-	-	4,572,437
3000	**Fund balance - August 31 (ending)**	$ 1,025,607	$ -	$ -	$ 4,602,729

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-3

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

August 31, 2017

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
Assets				
Cash and Cash Equivalents	$ 261,261	$ 861,056	$ (834,430)	$ 287,887
	$ 261,261	$ 861,056	$ (834,430)	$ 287,887
Liabilities				
Accounts Payable	$ 6,146	$ 14,369	$ -	$ 20,515
Due to Other Governments	-	410	-	410
Due to Student Groups	255,115	846,277	(834,430)	266,962
	$ 261,261	$ 861,056	$ (834,430)	$ 287,887

GALENA PARK INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2017

	1	2	3	10
Last Ten	**Tax Rates**		**Net Assessed/Appraised Value For School**	**Beginning Balance**
Fiscal Years	**Maintenance**	**Debt Service**	**Tax Purposes**	**9/1/16**
2008 and prior	Various	Various	Various	$ 1,502,043
2009	1.18340	0.27250	5,466,719,898	225,101
2010	1.18340	0.29500	5,682,442,359	248,253
2011	1.18340	0.33000	5,462,732,192	224,239
2012	1.18340	0.33000	5,420,068,595	234,301
2013	1.18340	0.33000	6,362,846,718	413,153
2014	1.24330	0.27010	6,748,726,082	539,070
2015	1.24330	0.27010	7,433,199,935	657,125
2016	1.24330	0.27010	8,142,261,887	2,000,475
2017	1.24330	0.32000	8,161,446,159	
1000 **Totals**				$ 6,043,760

20	31	32	40	50
Current Year's Total Levy	**Maintenance Total Collections**	**Debt Service Total Collections**	**Entire Year's Adjustments**	**Ending Balance 8/31/17**
$ -	$ 63,478	$ 14,890	$ (73,003)	$ 1,350,672
-	13,327	3,069	(6,929)	201,776
-	15,959	3,978	(6,553)	221,763
-	18,545	5,171	(6,805)	193,718
-	34,876	9,725	1,293	190,993
-	48,575	11,087	6,016	359,507
-	(642,552)	(139,591)	(881,142)	440,071
-	109,225	23,729	(73,717)	450,454
-	536,358	116,521	(341,606)	1,005,990
126,984,745	99,147,355	25,518,502	-	2,318,888
$ 126,984,745	$ 99,345,146	$ 25,567,081	$ (1,382,446)	6,733,832
			Penalty and interest receivable on taxes	4,570,015
			Total taxes receivable per Governmental Fund Balance Sheet (C-1)	$ 11,303,847

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION FUND

For the Year Ended August 31, 2017

Data Control Codes		Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
	Revenues				
5700	Local, Intermediate, and Out-of-State	$ 2,449,400	$ 2,449,400	$ 2,208,059	$ (241,341)
5800	State Program Revenues	75,000	75,000	80,136	5,136
5900	Federal Program Revenues	11,425,800	11,725,800	11,193,843	(531,957)
5020	**Total Revenues**	13,950,200	14,250,200	13,482,038	(768,162)
	Expenditures				
	Current:				
0035	Food Services	14,478,300	14,778,300	13,246,464	1,531,836
0051	Plant maintenance and operations	323,600	323,600	240,852	82,748
6030	**Total Expenditures**	14,801,900	15,101,900	13,487,316	1,614,584
1100	Excess (Deficiency) Revenues Over Expenditures	(851,700)	(851,700)	(5,278)	846,422
	Other Financing Sources (Uses)				
7912	Sale of real or personal property	-	-	10,135	10,135
1200	Net change in fund balances	(851,700)	(851,700)	4,857	856,557
0100	**Fund Balance - beginning**	3,447,393	3,447,393	3,447,393	-
3000	**Fund Balance - ending**	$ 2,595,693	$ 2,595,693	$ 3,452,250	$ 856,557

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Exhibit J-3*

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2017

Data Control Codes		Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
	Revenues				
5700	Local, Intermediate, and Out-of-State	$ 22,197,800	$ 26,060,650	$ 25,987,015	$ (73,635)
5800	State Program Revenues	253,400	253,400	293,518	40,118
5020	**Total Revenues**	22,451,200	26,314,050	26,280,533	(33,517)
	Expenditures				
	Current:				
	Debt Service:				
0071	Principal on long-term debt	10,217,505	47,892,502	47,872,501	20,001
0072	Interest on long-term debt	9,362,495	12,002,874	11,621,063	381,811
0073	Bond issuance costs and fees	8,000	505,000	503,126	1,874
6030	**Total Expenditures**	19,588,000	60,400,376	59,996,690	403,686
1100	Excess (Deficiency) Revenues Over Expenditures	2,863,200	(34,086,326)	(33,716,157)	370,169
	Other Financing Sources (Uses)				
7911	Refunding bonds issued	-	35,000,000	41,000,000	6,000,000
7916	Premium or discount on issuance of bonds	-	-	7,203,977	7,203,977
8949	Payment to bond refunding escrow agent	-	-	(13,213,931)	(13,213,931)
	Total other financing sources and uses	-	35,000,000	34,990,046	(9,954)
1200	Net change in fund balances	2,863,200	913,674	1,273,889	360,215
0100	**Fund Balance - beginning**	7,539,501	7,539,501	7,539,501	-
1300	Prior period adjustment	-	-	(382,554)	(382,554)
3000	**Fund Balance - ending**	$ 10,402,701	$ 8,453,175	$ 8,430,836	$ (22,339)

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STATISTICAL SECTION
(UNAUDITED)

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The statistical section of the Galena Park Independent School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's economic condition and overall financial health. To assist financial statement users, the information contained within this section is categorized as follows:

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	2017	2016	2015
Governmental Activities:			
Net investment in capital assets	$ 77,029,615	$ 71,473,347	$ 64,843,915
Restricted	13,199,434	11,671,948	9,080,679
Unrestricted	60,846,881	58,897,199	50,004,043
Total Governmental Activities Net Position	$ 151,075,930	$ 142,042,494	$ 123,928,637

Table 1

2014	2013	2012	2011	2010	2009	2008
$ 50,303,111	$ 48,447,172	$ 48,387,569	$ 53,833,026	$ 49,875,572	$ 52,299,778	$ 51,849,703
13,823,205	13,023,826	10,016,278	10,531,018	9,835,302	9,702,298	8,028,543
57,092,596	33,597,971	10,028,641	5,897,450	10,646,315	5,488,537	4,843,758
$ 121,218,912	$ 95,068,969	$ 68,432,488	$ 70,261,494	$ 70,357,189	$ 67,490,613	$ 64,722,004

GALENA PARK INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	2017	2016	2015
Expenses:			
Governmental Activities:			
Instruction	$ 134,569,316	$ 119,286,904	$ 118,671,778
Instructional Resources and Media Services	2,817,371	2,753,916	2,484,130
Curriculum and Instructional Staff Development	5,961,598	5,432,709	5,049,277
Instructional Leadership	6,087,473	5,758,176	5,446,409
School Leadership	14,360,951	13,720,730	12,226,016
Guidance, Counseling, and Evaluation Services	7,940,012	7,635,301	6,971,684
Social Work Services	904,579	696,048	533,315
Health Services	1,884,102	1,828,426	1,745,665
Student (Pupil) Transportation	8,491,227	6,478,596	6,060,314
Food Services	13,964,364	15,007,128	13,898,421
Cocurricular/Extracurricular Activities	5,100,028	5,424,069	4,956,638
General Administration	8,507,836	7,914,425	7,523,092
Facilities Maintenance and Operations	24,949,307	27,253,373	28,066,758
Security and Monitoring Services	2,488,235	2,568,194	2,572,674
Data Processing Services	3,805,769	3,815,141	3,177,492
Community Services	1,635,714	1,411,317	1,389,389
Debt Service - Interest on Long-term Debt	12,766,645	10,967,667	10,832,510
Debt Service - Bond Issuance Costs and Fees	1,757,777	-	-
Other Facility Costs	1,700,855	2,170,865	97,650
Payments to Appraisal District	937,503	908,466	857,019
Total Governmental Activities Expenses	260,630,662	241,031,451	232,560,231
Total Primary Government Expenses	260,630,662	241,031,451	232,560,231
Program Revenues:			
Governmental Activities:			
Charges for Services:			
Instruction	673,736	804,888	662,850
School Leadership	147,074	160,176	125,841
Food Services	2,147,598	181,054	2,396,603
Cocurricular/Extracurricular Activities	1,237,846	2,339,622	971,872
General Administration	21,501	-	-
Facilities Maintenance and Operations	180,392	1,188,365	191,367
Security and Monitoring Services	5,375	-	-
Other Facility Costs	5,375	-	-
Other Activities	105,903	-	-
Operating Grants and Contributions	41,428,025	29,381,400	34,844,417
Total Governmental Activities Program Revenues	45,952,825	34,055,505	39,192,950
Total Primary Government Program Revenues	45,952,825	34,055,505	39,192,950

2014	2013	2012	2011	2010	2009	2008
$ 113,536,472	$ 110,548,329	$ 119,602,322	$ 122,370,042	$ 113,577,108	$ 108,256,241	$ 97,192,638
2,543,759	2,421,087	2,516,129	2,534,826	2,442,877	2,329,227	2,118,912
4,785,800	4,508,432	5,345,912	5,908,955	5,161,904	4,269,795	3,989,393
5,158,621	4,728,055	5,141,031	4,956,514	4,445,447	4,750,832	3,909,503
11,686,374	9,877,826	10,620,953	11,178,042	10,327,302	9,968,042	8,789,170
5,967,337	5,606,717	6,634,847	6,937,775	6,148,901	6,090,505	5,592,874
581,864	419,590	388,202	537,078	593,215	625,719	673,929
1,696,559	1,641,843	1,733,425	1,724,297	1,574,097	1,413,780	1,301,805
5,442,835	5,533,763	5,520,678	5,508,054	4,584,314	4,950,809	4,807,046
13,828,395	12,325,411	12,428,159	11,309,542	9,775,884	10,162,221	9,337,078
4,784,559	3,896,064	4,209,663	3,842,327	3,538,725	3,307,338	3,124,249
6,990,616	6,445,569	6,905,251	7,385,442	5,963,619	5,953,647	6,265,341
27,857,900	23,624,581	25,311,366	24,487,945	20,412,889	21,412,919	19,147,258
2,778,838	2,013,057	1,968,539	2,363,252	2,105,534	2,090,879	1,808,136
2,516,556	2,539,098	2,289,328	2,195,154	2,694,257	1,911,117	1,651,635
1,427,226	1,419,328	1,387,390	1,318,585	1,294,642	1,085,044	949,134
11,978,110	13,296,766	13,569,926	13,692,016	13,543,239	12,550,677	11,898,476
-	-	2,100	99,352	6,814	7,665	215,808
199,646	-	-	-	5,004,840	1,373,270	1,114,540
764,804	680,484	687,831	667,412	586,095	563,772	-
224,526,271	211,526,000	226,263,052	229,016,610	213,781,703	203,073,499	183,886,925
224,526,271	211,526,000	226,263,052	229,016,610	213,781,703	203,073,499	183,886,925
1,055,658	378,481	691,838	321,668	253,892	511,097	531,777
126,835	92,036	108,021	141,352	121,318	108,929	144,475
2,748,933	2,584,100	2,629,662	2,664,951	2,671,651	2,813,059	2,348,231
882,036	776,879	755,675	341,864	285,589	334,166	330,813
-	-	-	-	23,471	38,669	72,693
293,264	29,935	145,482	160,201	109,623	84,388	113,675
-	-	-	59,129	66,313	-	-
-	-	-	-	11,884	199,927	199,927
-	-	-	-	12,918	30,142	61,725
36,638,833	34,920,645	47,454,168	52,386,497	35,532,170	30,617,676	27,854,681
41,745,559	38,782,076	51,784,846	56,075,662	39,088,829	34,738,053	31,657,997
41,745,559	38,782,076	51,784,846	56,075,662	39,088,829	34,738,053	31,657,997

GALENA PARK INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	2017	2016	2015
Net (Expense) / Revenue:			
Governmental Activities	$ (214,677,837)	$ (206,975,946)	$ (193,367,281)
Total Primary Government Net (Expense)/Revenue	(214,677,837)	(206,975,946)	(193,367,281)
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Property Taxes	$ 127,044,616	121,304,611	112,784,242
State Aid - Formula Grants	94,400,991	102,779,386	111,798,949
Unrestricted Grants and Contributions		23,999	69,486
Investment Earnings	2,446,240	687,509	206,950
Miscellaneous Income	201,980	294,298	298,220
Total Governmental Activities	224,093,827	225,089,803	225,157,847
Total Primary Government	224,093,827	225,089,803	225,157,847
Change in Net Position			
Governmental Activities	9,415,990	18,113,857	31,790,566
Total Primary Government	$ 9,415,990	$ 18,113,857	$ 31,790,566

2014	2013	2012	2011	2010	2009	2008
$ (182,780,712)	$ (172,743,924)	$ (174,478,206)	$ (172,940,948)	$ (174,692,874)	$ (168,335,446)	$ (152,228,928)
(182,780,712)	(172,743,924)	(174,478,206)	(172,940,948)	(174,692,874)	(168,335,446)	(152,228,928)
101,858,021	82,406,881	82,638,413	84,019,149	79,970,986	$ 70,110,785	$ 72,803,076
104,724,697	90,609,429	89,566,964	88,240,597	96,509,112	98,205,339	81,439,459
86,213	3,524,025	3,619	133,886	366	7,260	836,330
167,415	195,268	226,543	285,073	1,041,617	2,709,581	3,497,284
266,551	325,679	213,661	166,548	37,369	71,096	361,190
207,102,897	177,061,282	172,649,200	172,845,253	177,559,450	171,104,061	158,937,339
207,102,897	177,061,282	172,649,200	172,845,253	177,559,450	171,104,061	158,937,339
24,322,185	4,317,358	(1,829,006)	(95,695)	2,866,576	2,768,615	6,708,411
$ 24,322,185	$ 4,317,358	$ (1,829,006)	$ (95,695)	$ 2,866,576	$ 2,768,615	$ 6,708,411

GALENA PARK INDEPENDENT SCHOOL DISTRICT

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN YEARS

(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014
General Fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Nonspendable	306,603	268,136	264,221	307,509
Assigned	57,700,343	55,725,484	43,270,858	62,387,369
Unassigned	87,793,932	82,326,206	79,206,234	37,350,825
Total General Fund	$ 145,800,878	$ 138,319,826	$ 122,741,313	$ 100,045,703
All other governmental funds				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Nonspendable	-	411,560	296,283	328,052
Restricted	78,363,471	10,598,276	7,570,842	15,290,632
Committed	1,025,607	1,102,102	1,177,195	1,105,276
Unassigned	-	-	-	-
Total all other governmental funds	$ 79,389,078	$ 12,111,938	$ 9,044,320	$ 16,723,960

In fiscal year 2011, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The fund balance classifications of Reserved and Unreserved are not used. The prior years were not restated.

Table 3

2013	2012	2011	2010	2009	2008
$ -	$ -	$ -	$ 2,481,483	$ 2,481,483	$ 1,155,917
-	-	-	41,272,266	41,272,266	34,900,554
2,197,568	2,237,057	1,671,045	-	-	-
31,379,551	30,576,739	28,828,263	-	-	-
43,934,114	22,881,292	18,590,443	-	-	-
$ 77,511,233	$ 55,695,088	$ 49,089,751	$ 43,753,749	$ 43,753,749	$ 36,056,471
$ -	$ -	$ -	$ 8,881,453	$ 8,451,723	$ 8,372,217
-	-	-	22,880,112	10,909,530	18,606,927
330,573	259,018	391,839	-	-	-
14,938,506	15,433,451	20,337,361	-	-	-
1,118,844	1,117,250	925,527	-	-	-
74,845	-	(2,513)	-	-	-
$ 16,462,768	$ 16,809,719	$ 21,652,214	$ 31,761,565	$ 19,361,253	$ 26,979,144

GALENA PARK INDEPENDENT SCHOOL DISTRICT

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2017	2016	2015
Revenues			
Local, intermediate, and out-of-state	$ 133,337,630	$ 128,445,612	$ 115,585,283
State program revenues	107,035,082	111,995,083	122,134,322
Federal program revenues	27,173,751	26,322,625	24,897,318
Total revenues	267,546,463	266,763,320	262,616,923
Expenditures			
Current:			
Instruction	123,706,019	119,942,290	116,123,750
Instruction resoruces and media services	2,464,077	2,474,879	2,261,229
Curriculum and instructional staff development	5,726,416	5,238,950	5,099,920
Instructional leadership	5,903,738	5,533,203	5,315,963
School leadership	13,964,197	13,251,279	12,087,329
Guidance, counseling and evaluation services	7,322,810	7,386,617	6,886,719
Social work services	883,931	820,905	543,602
Health services	1,824,679	1,743,465	1,708,342
Student transportation	9,887,235	6,963,858	5,647,991
Food services	13,250,802	14,151,542	13,497,039
Extracurricular activities	5,097,570	4,841,762	4,428,695
General administration	8,283,519	7,668,435	7,366,069
Facilities maintenance and operations	24,044,269	25,359,501	28,443,150
Security and monitoring services	2,480,853	2,590,903	2,575,648
Data processing services	3,530,405	3,294,586	3,799,413
Community services	1,585,371	1,365,667	1,436,163
Principal on long-term debt	48,217,460	12,243,335	10,975,838
Interest on long-term debt	11,631,463	8,596,257	9,044,466
Bond issuance costs and fees	1,757,777	9,060	174,015
Facilities acquisition and construction expenditures	26,244,957	3,817,722	680,693
Payments to appraisal districts	937,503	908,466	857,019
Total Expenditures	318,745,051	248,202,682	238,953,053
Excess (deficiency) of revenues over (under) expenditures	(51,198,588)	18,560,638	23,663,870
Other financing sources (uses)			
Refunding bonds issued	41,000,000	-	9,505,000
Capital related debt issued (regular bonds)	87,315,000	-	-
Sale of real or personal property	96,947	85,493	84,150
Transfers in	-	4	-
Premium or discount on issuance of bonds	11,141,318	-	456,463
Transfers out	-	(4)	-
Payment to bond refunding escrow agent	(13,213,931)	-	(18,693,513)
Other resources	-	-	-
Other uses - court ordered tax refunds	-	-	-
Total other financing sources (uses)	126,339,334	85,493	(8,647,900)
Net change in Fund Balances	$ 75,140,746	$ 18,646,131	$ 15,015,970
Debt service as a percentage of noncapital expenditures*	21.21%	8.66%	8.58%

* Debt service as a percentage of noncapital expenditures is determined by dividing debt service expenditures by total expenditures less current year capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance.

Table 4

	2014	2013	2012	2011	2010	2009	2008
	$ 107,545,114	$ 100,870,878	$ 86,839,658	$ 88,352,462	$ 87,446,212	$ 84,497,542	$ 76,939,894
	115,638,378	111,519,829	100,431,290	101,831,613	99,495,102	107,326,585	108,661,567
	25,663,538	25,300,766	28,555,473	35,122,701	41,171,536	24,513,530	20,167,976
	248,847,030	237,691,473	215,826,421	225,306,776	228,112,850	216,337,657	205,769,437
	108,236,343	105,345,195	104,778,613	113,533,933	116,343,652	108,274,823	101,879,051
	2,297,366	2,096,006	2,156,143	2,238,478	2,250,754	2,146,819	2,070,834
	4,741,875	4,465,590	4,486,751	5,322,015	5,883,925	5,135,790	4,248,338
	5,040,251	4,807,130	4,699,674	5,027,723	4,851,875	4,366,090	4,667,600
	11,495,594	9,780,324	9,733,219	10,470,061	11,055,609	10,162,127	9,853,352
	5,900,141	5,905,014	5,558,339	6,582,751	6,881,197	6,087,783	6,041,654
	578,533	466,373	417,632	386,115	534,991	591,089	623,889
	1,653,579	1,580,846	1,606,261	1,695,358	1,686,373	1,535,239	1,379,020
	5,705,878	5,610,045	5,210,690	5,098,572	5,446,174	4,762,776	4,707,440
	13,146,607	12,385,551	12,037,705	13,163,036	11,077,711	11,113,215	9,987,017
	4,198,630	3,533,511	3,384,149	4,182,803	3,885,984	3,345,017	2,908,841
	6,824,006	6,348,851	6,143,821	6,732,709	6,980,173	5,856,038	5,846,843
	26,445,792	21,969,662	21,411,993	23,414,498	21,786,715	20,754,911	19,874,965
	2,839,113	2,412,958	2,044,109	2,006,943	2,332,810	2,104,542	2,090,946
	2,271,870	2,635,290	2,826,525	2,449,516	2,051,911	2,694,735	1,911,618
	1,408,332	1,395,984	1,406,599	1,373,535	1,305,020	1,284,313	1,076,330
	10,528,062	9,904,288	8,124,325	10,848,290	10,025,749	9,199,916	8,854,781
	9,871,530	11,049,145	13,148,832	10,496,688	10,771,053	11,195,372	10,561,545
	172,598	533,905	166,082	165,893	99,352	-	-
	294,454	3,892,873	4,583,902	8,337,870	3,175,535	5,004,840	18,107,897
	764,804	721,839	680,484	687,831	667,412	586,095	563,772
	224,415,358	216,840,380	214,605,848	234,214,618	229,093,975	216,201,530	217,255,733
	24,431,672	20,851,093	1,220,573	(8,907,842)	(981,125)	136,127	(11,486,296)
	8,970,000	37,990,000	9,234,299	9,250,000	-	-	-
	-	-	-	-	17,000,000	-	18,000,000
	41,806	34,816	230,813	79,973	39,096	24,581	39,341
	13,427	79,105	1,346,897	235,750	68,924	28,106	9,819
	986,842	3,212,391	745,214	671,423	85,170	-	92,057
	(13,427)	(79,105)	(1,346,897)	(235,750)	(40,928)	(27,948)	(9,819)
	(9,787,132)	(40,619,106)	(9,796,601)	(9,753,590)	-	-	-
	-	-	128,542	89,284	26,578	-	-
	-	-	-	-	-	(81,480)	-
	211,516	618,101	542,267	337,090	17,178,840	(56,741)	18,131,398
	$ 24,643,188	$ 21,469,194	$ 1,762,840	$ (8,570,752)	$ 16,197,715	$ 79,386	$ 6,645,102
	9.42%	10.22%	10.61%	9.39%	9.44%	10.34%	10.01%

GALENA PARK INDEPENDENT SCHOOL DISTRICT
REVENUE BY SOURCE FOR GOVERNMENTAL FUNDS *
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014
Revenues from Local and Intermediate Sources:				
Property Taxes	$ 126,197,919	$ 122,825,737	$ 110,746,646	$ 101,898,646
Food Sales	2,147,598	2,333,083	2,396,720	2,750,940
Earnings on Investments	2,446,240	687,500	206,953	167,415
Cocurricular / Student Activities	1,636,307	1,753,061	1,143,482	1,062,967
Other Revenues from Local and Intermediate Sources	909,566	846,231	1,091,482	1,665,146
Total Revenue from Local and Intermediate Sources	133,337,630	128,445,612	115,585,283	107,545,114
State Program Revenues:				
Foundation School Formula	85,840,648	97,269,336	102,427,994	96,750,134
TRS On-behalf Revenue	9,012,952	8,871,824	8,584,055	7,975,683
Debt Allotment	293,518	1,645,363	2,340,175	2,553,951
Available School Fund (Per Capita)	8,202,430	3,790,886	5,505,980	5,347,184
District Awards Teacher Excellence (DATE)	-	-	-	-
Texas Educator Excellence Governors Award (TEEG)	-	-	-	-
Technology Allotment	-	-	-	-
TX HS Initiative - Early Warning Data System (STTE)	-	-	-	-
Accelerated Reading & Math Instruction (ARI/AMI)	-	-	-	-
Student Success Initiative	-	-	-	-
Instructional Materials Allotment	2,779,972	-	1,647,182	2,834,175
TRS Employee Health Insurance	-	-	1,451,572	-
Other State Program Revenues **	905,562	417,674	177,364	177,251
Total State Program Revenues	107,035,082	111,995,083	122,134,322	115,638,378
Federal Program Revenues:				
State Fiscal Stabilization Fund	-	-	-	-
National School Breakfast and Lunch Program	10,877,567	11,012,191	10,597,174	10,280,909
ESEA Title I, Part A - Improving Basic Programs	5,260,683	5,132,166	5,307,455	5,111,193
IDEA Part B - Formula	3,778,859	3,515,491	3,727,742	3,956,789
IDEA Part B - Formula - ARRA	-	-	-	-
ESEA Title I, Part A - Improving Basic Programs - ARRA	-	-	-	-
SHARS	2,127,418	1,634,964	-	1,606,362
ESEA Title II, Part A - Teacher, Principal, Training, Recruiting	650,054	682,687	726,222	744,649
Early Head Start	795,590	781,856	781,856	732,369
ESEA Title III, Part A	927,765	683,384	658,421	554,948
USDA Commodities	1,051,725	979,489	846,558	871,112
Advanced Placement Incentive Program	12,968	-	-	-
E-Rate	406,155	498,286	656,906	694,871
Vocational Education - Carl D. Perkins	253,670	-	-	-
ESEA Title II, Part D - Technology Immersion Pilot (TIP)	-	-	726,222	-
Title I, Part C	184,710	-	-	184,509
21st Century	307,558	331,383	406,429	253,876
Education Jobs Fund	-	-	-	-
Temporary Impact Aid - HERA	-	-	-	-
FEMA Disaster Assistance***	-	-	-	-
Other Federal Program Revenue **	539,029	1,070,728	462,333	671,951
Total Federal Program Revenues	27,173,751	26,322,625	24,897,318	25,663,538
Total Revenues for Governmental Funds	$ 267,546,463	$ 266,763,320	$ 262,616,923	$ 248,847,030

* This schedule is prepared in lieu of a Schedule of Tax Revenues by Source, as all tax revenues received by the District are Ad Valorem Taxes.

** Individual local, state and federal programs in excess of $300,000 are reported separately in this schedule. All others are combined as Other Local, State or Federal Program Revenues. Additionally, prior year information is not restated for programs or grants that exceed $300,000 in a subsequent year, the amounts remain in Other Local, State or Federal Program Revenues.

*** Disaster assistance grants received are the result of damage from Hurricane Ike.

Table 5

2013	2012	2011	2010	2009	2008
$ 96,060,301	$ 82,518,824	$ 83,600,427	$ 83,277,367	$ 79,685,962	$ 70,112,171
2,655,573	2,584,201	2,629,662	2,664,951	2,649,521	2,813,791
177,448	195,268	226,543	284,441	1,023,944	2,397,172
1,367,827	1,121,203	1,025,400	639,550	551,336	664,164
609,729	420,162	870,430	579,903	586,779	952,596
100,870,878	86,839,658	88,352,462	87,446,212	84,497,542	76,939,894
89,799,577	81,902,071	79,814,416	82,113,931	85,971,145	86,415,431
6,868,878	7,395,226	8,193,606	7,069,140	7,611,883	7,572,012
4,503,773	3,597,685	3,134,120	3,700,428	5,443,920	6,283,044
9,490,102	5,056,922	6,555,194	2,364,313	5,053,058	5,484,330
-	1,454,823	1,480,587	1,410,553	-	-
-	-	-	923,541	1,357,418	1,346,233
-	-	591,107	588,162	588,152	579,554
-	-	-	362,670	-	-
-	-	-	-	461,089	466,400
-	351,661	322,868	-	-	-
560,990	503,730	1,181,649	-	-	-
-	-	-	-	-	-
296,509	169,172	558,066	962,364	839,920	514,563
111,519,829	100,431,290	101,831,613	99,495,102	107,326,585	108,661,567
-	-	7,685,510	9,496,712	633,177	-
9,978,169	9,218,262	9,151,875	8,387,965	7,442,637	7,092,687
5,038,958	5,436,695	5,777,650	6,158,912	6,104,877	4,028,333
3,547,960	3,613,526	3,819,176	3,959,045	4,696,208	3,412,477
-	-	1,115,174	3,371,003	-	-
-	-	653,454	2,899,607	-	-
1,588,777	958,755	1,316,842	1,324,154	-	306,834
718,650	734,977	959,530	925,830	879,855	795,753
772,064	744,934	766,216	754,745	766,954	730,476
668,683	889,017	683,393	717,819	769,864	570,797
856,296	720,258	762,388	583,059	680,583	625,256
-	-	457,761	575,924	-	-
678,780	399,938	615,467	421,917	-	365,242
-	-	-	-	312,802	-
-	-	-	-	-	339,972
-	345,741	-	-	-	-
-	536,926	-	-	458,130	528,002
-	3,792,270	-	-	-	-
-	-	-	-	-	-
-	-	-	-	421,641	-
1,452,429	1,164,174	1,358,265	1,594,844	1,346,802	1,372,147
25,300,766	28,555,473	35,122,701	41,171,536	24,513,530	20,167,976
$ 237,691,473	$ 215,826,421	$ 225,306,776	$ 228,112,850	$ 216,337,657	$ 205,769,437

GALENA PARK INDEPENDENT SCHOOL DISTRICT

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Appraised Value			Total Taxable
Ended August 31,	Real Property	Personal Property	Less Exemptions	Assessed Value
2008	$ 3,153,068,761	$ 3,114,049,982	$ (1,449,848,633)	$ 4,817,270,110
2009	3,334,047,889	3,801,206,900	(1,668,534,891)	5,466,719,898
2010	3,374,490,897	3,950,573,931	(1,681,471,194)	5,643,593,634
2011	3,268,053,301	3,908,453,891	(1,683,347,545)	5,493,159,647
2012	3,250,137,926	4,002,379,770	(1,832,449,109)	5,420,068,587
2013	3,287,403,674	5,077,288,433	(2,001,845,389)	6,362,846,718
2014	3,581,313,317	5,306,633,833	(2,139,221,068)	6,748,726,082
2015	3,919,364,074	5,764,517,819	(2,250,681,962)	7,433,199,931
2016	4,507,635,430	5,798,150,791	(2,163,524,334)	8,142,261,887
2017	4,940,676,453	5,278,686,671	(2,057,916,965)	8,161,446,159

(1) Tax rates are per $100 of taxable assessed value.

Source: Harris County Appraisal District

Note: The real property numbers were derived by using the tax roll for the necessary year and adding the totals for all items designated as "real" in the property use category description.

Personal property represents items not identified as "real" in the property use category description.

Actual value is the market value as reported by HCAD.

Table 6

Total Direct Tax Rate (1)	Actual Value	Assessed Value as a Percentage of Actual Value
$ 1.43090	$ 6,296,753,135	77%
1.45590	7,164,108,053	76%
1.47840	7,340,015,099	77%
1.51340	7,191,240,810	76%
1.51340	7,264,497,418	75%
1.51340	8,376,275,379	76%
1.51340	8,901,084,602	76%
1.51340	9,711,137,783	77%
1.51340	10,369,374,842	79%
1.56330	10,323,739,943	79%

GALENA PARK INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

(PER $100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Taxing Authority	2017	2016	2015	2014
Overlapping Rates:				
Cities:				
Galena Park, City of	$ 1.03745	$ 1.03745	$ 1.04745	$ 1.04745
Houston, City of	0.58642	0.60112	0.63108	0.63875
Jacinto City, City of	0.78355	0.78355	0.79991	0.79991
Counties:				
Harris Co	0.41656	0.41923	0.41731	0.41455
Municipal Utility Districts:				
Harris Co MUD #8	0.58250	0.58250	0.64000	0.68000
Harris Co MUD #53	0.66000	0.74000	0.81000	0.88000
Harris Co MUD #285	0.74000	0.81000	0.90000	0.96000
Water Control and Improvement Districts:				
Harris Co WC&ID #36	0.35000	0.35000	0.35000	0.33000
Port of Houston Authority	0.01334	0.01342	0.01531	0.01716
Other Governmental Entities:				
Harris Co Dept of Education	0.00520	0.00542	0.00600	0.00636
Harris Co Flood Control District	0.02829	0.02733	0.02736	0.02827
Harris Co FWSD #51	0.25700	0.28200	0.30000	0.33000
San Jacinto Community College District	0.18238	0.17578	0.18560	0.18560
District Direct Rates:				
Maintenance and Operations	1.24330	1.24330	1.24330	1.24330
Debt Service	0.32000	0.27010	0.27010	0.27010
Total District Direct Rates	$ 1.56330	$ 1.51340	$ 1.51340	$ 1.51340

Source: Harris County Appraisal District

Table 7

2013	2012	2011	2010	2009	2008
$ 1.05745	$ 1.03745	$ 1.03745	$ 1.03745	$ 1.03745	$ 1.04745
0.63875	0.63875	0.63875	0.63875	0.63875	0.64500
0.76612	0.79593	0.80153	0.72107	0.66147	0.67175
0.40021	0.39117	0.38805	0.39224	0.38923	0.39239
0.68000	0.56500	0.54250	0.52750	0.47000	0.49000
0.91000	0.87500	0.82500	0.79500	0.79500	0.81500
0.98000	0.94500	0.93000	0.93000	0.90000	0.90000
0.31000	0.29000	0.29000	0.28000	0.28000	0.28000
0.01952	0.01856	0.02054	0.01640	0.01770	0.01440
0.00662	0.00658	0.06581	0.06050	0.05840	0.05850
0.02809	0.02809	0.02923	0.02920	0.03090	0.03110
0.34500	0.34000	0.32000	0.02922	0.03086	0.03060
0.18560	0.18560	0.17628	0.17080	0.16341	0.14536
1.24330	1.18340	1.18340	1.18340	1.18340	1.18340
0.27010	0.33000	0.33000	0.29500	0.27250	0.24750
$ 1.51340	$ 1.51340	$ 1.51340	$ 1.47840	$ 1.45590	$ 1.43090

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Table 8*

PRINCIPAL TAXPAYERS

August 31, 2017

	2017			2008		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Helmerich & Payne	$ 397,282,275	1	4.87%	$ 135,141,492	2	2.81%
Higman Barge Lines Inc (FKA Maryland Ma	349,405,094	2	4.28%	Not Available		
Kinder Morgan Crude	271,634,445	3	3.33%	Not Available		
Epik Terminaling	264,527,091	4	3.24%	Not Available		
Oiltanking Houston Inc	217,428,216	5	2.66%	107,998,711	4	2.24%
Magellan Terminal Holdings	192,829,614	6	2.36%	Not Available		
Oiltanking Houston LP	185,746,551	7	2.28%	Not Available		
Houston Fuel Co	174,808,439	8	2.14%	73,769,446	8	1.53%
Chevron Chem CO	144,156,670	9	1.77%	115,007,083	3	2.39%
Targa Midstream	134,978,521	10	1.65%	Not Available		
GE Packaged Power LP	Not Available			303,763,179	1	6.31%
Shell Oil Co	Not Available			95,943,794	5	1.99%
Magellan Terminal Holdings	Not Available			80,014,175	6	1.66%
GB Biosciences Corp	Not Available			74,104,484	7	1.54%
Stolt Nielsen Inc	Not Available			61,531,875	9	1.28%
Equistar Chemicals LP	Not Available			59,910,459	10	1.24%
	$ 2,332,796,916		28.58%	$ 784,378,854		22.98%

Source: District Records

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL PERIODS

Fiscal Year Ended August 31,	Total Tax Levy * for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	$ 68,837,875	$ 67,634,905	98.25%	$ 1,060,207	$ 68,695,112	99.79%
2009	78,883,736	77,745,766	98.56%	936,194	78,681,960	99.74%
2010	83,041,261	81,391,301	98.01%	1,428,197	82,819,498	99.73%
2011	82,307,474	81,347,725	98.83%	766,031	82,113,756	99.76%
2012	81,225,122	80,669,815	99.32%	364,314	81,034,129	99.76%
2013	95,275,289	94,771,892	99.47%	143,890	94,915,782	99.62%
2014	100,714,962	100,810,877	100.10%	(535,986)	100,274,891	99.56%
2015	110,736,112	109,459,347	98.85%	826,311	110,285,658	99.59%
2016	122,667,996	121,009,127	98.65%	652,879	121,662,006	99.18%
2017	126,984,745	124,665,857	98.17%		124,665,857	98.17%

(1) Appraised value less exemptions equal taxable assessed value. The beginning taxable value net of adjustments times the tax rate set by the District's Board of Trustees each fall equals the total net tax levy. The net tax levy for prior years reflects ongoing adjustments applied to that year's tax levy.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				
Fiscal Year	Schoolhouse and Refunding Bonds	Qualified Zone Academy Bonds	Total Primary Government	Ratio of Debt to Assessed Value (1)	Debt per Student (2)
2008	$ 280,785,391	$ 7,231,985	$ 288,017,376	5.88%	$ 12,872
2009	273,992,265	6,500,466	280,492,731	5.05%	13,642
2010	283,991,592	5,768,947	289,760,539	5.13%	13,275
2011	277,026,865	5,037,428	282,064,293	4.98%	13,598
2012	269,248,264	4,305,909	273,554,173	4.99%	12,533
2013	260,208,967	3,574,390	263,783,357	4.11%	12,017
2014	252,892,055	2,842,871	255,734,926	3.75%	11,251
2015	236,617,958	2,111,352	238,729,310	3.16%	10,391
2016	226,885,674	1,379,833	228,265,507	2.80%	10,140
2017	306,325,778	1,034,875	307,360,653	3.77%	13,490

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

(1) See Table 6 for assessed value information.

(2) See Table 17 for student enrollment information.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Table 11

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Schoolhouse and Refunding Bonds Outstanding	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Net Bonded Debt per Student (2)
2008	$ 280,785,391	$ 3,193,333	$277,592,058	5.76%	$ 13,193
2009	273,992,265	3,976,978	270,015,287	4.94%	12,732
2010	283,991,592	4,232,268	279,759,324	4.96%	13,067
2011	277,026,865	4,973,571	272,053,294	4.95%	12,620
2012	269,248,264	7,386,838	261,861,426	4.83%	12,023
2013	260,208,967	8,942,426	251,266,541	3.95%	11,415
2014	252,892,055	10,043,759	242,848,296	3.60%	10,786
2015	236,617,958	4,024,630	232,593,328	3.13%	10,274
2016	226,885,674	7,539,501	219,346,173	2.69%	9,744
2017	306,325,778	8,430,836	297,894,942	3.65%	13,075

(1) See Table 6 for assessed value information.

(2) See Table 17 for student enrollment.

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GALENA PARK INDEPENDENT SCHOOL DISTRICT ***Table 12***

COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT

For the Year Ended August 31, 2017

Governmental Unit	Net Debt Amount	Net Debt As Of	Percentage Overlapping	Amount of Overlapping Debt
Cities:				
Galena Park	$ 459,260	09/30/16	100.00%	$ 459,260
Houston	2,731,150,000	04/30/17	0.32%	8,739,680
Jacinto City	964,117	09/30/12	34.59%	333,488
Counties:				
Harris	2,054,826,837	02/29/16	1.89%	38,836,227
Municipal Utility Districts:				
Harris Co. MUD 8	3,385,362	06/30/16	100.00%	3,385,362
Harris Co. MUD 53	16,027,512	11/08/16	27.20%	4,359,483
Harris Co. MUD 285	48,073,639	06/30/16	69.67%	33,492,904
Water Control and Improvement Districts				
Harris Co. WC&ID 36	12,064,767	06/30/16	100.00%	12,064,767
Port of Houston Authority	632,416,397	12/31/15	1.89%	11,952,670
Other Governmental Entities:				
Harris County Department of Education	6,780,000	04/30/17	1.89%	128,142
Harris County Flood Control District	78,841,017	02/29/16	1.89%	1,490,095
Harris Co. FWSD 47	5,839,372	09/30/16	22.50%	1,313,859
Harris Co. FWSD 51	10,507,864	06/30/16	100.00%	10,507,864
Harris County Hospital District	61,595,000	04/30/17	1.89%	1,164,146
Harris County Toll Road Authority	-	02/29/16	1.89%	-
San Jacinto Community College District	394,444,977	04/30/17	16.18%	63,821,197
	Subtotal, overlapping debt			192,049,144
	Galena Park Independent School District Direct Debt			307,360,653
	Total Direct and Overlapping Debt			$ 499,409,797

Sources: Texas Municipal Report issued by the Municipal Advisory Council of Texas

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Galena Park Independent School District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt, of each overlapping government.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Debt Limit	$ 1,021,936,312	$ 1,030,578,622	$ 968,388,190	$ 888,794,715
Less: Total Net Debt Applicable to Limit	237,832,528	161,102,136	177,003,817	191,581,929
Legal Debt Margin	$ 784,103,784	$ 869,476,486	$ 791,384,373	$ 697,212,786
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	23.27%	15.63%	18.28%	21.56%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Taxable Value	$ 8,161,446,159
Add back:	
Exempt Real Property	2,057,916,965
Total Assessed Value	$ 10,219,363,124
Debt Limit (10% of total assessed value)	$ 1,021,936,312
Debt Applicable to Limit:	
Schoolhouse and Refunding Bonds	$ 246,263,364
Less: Amount set aside for repayment of bonds	(8,430,836)
Total Net Debt Applicable to Limit	$ 237,832,528
Legal Debt Margin	$ 784,103,784

Note: Although there is no legal debt limit in the State of Texas, most school business officials in the State hold the opinion that the Attorney General would not approve bonded indebtedness in excess of 10 percent of assessed value.

Source: Harris County Appraisal District.

Table 13

2013	2012	2011	2010	2009	2008
$ 836,469,211	$ 732,506,483	$ 626,711,874	$ 732,506,483	$ 713,525,479	$ 626,711,874
200,567,976	211,902,613	235,156,283	225,458,448	208,897,720	193,614,917
$ 635,901,235	$ 499,406,933	$ 487,790,549	$ 391,555,591	$ 336,702,891	$ 298,636,088
23.98%	30.96%	31.82%	31.64%	37.52%	40.11%

GALENA PARK INDEPENDENT SCHOOL DISTRICT *Table 14*

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Residential Units (1)	Total Assessed Value per Residential Unit (1)	Average Assessed Value per Residential Unit (1)	Median Annual Income (2)	Per Capita Personal Income (2)	Unemployment Rate (2)
2008	20,499	$ 1,337,559,065	$ 65,250	Not Available	$ 47,788	5.2%
2009	20,526	1,396,707,548	68,046	Not Available	Not Available	8.2%
2010	20,536	1,263,129,320	61,508	Not Available	Not Available	8.6%
2011	20,534	1,193,407,476	58,119	34,430	Not Available	8.1%
2012	20,572	1,150,278,910	55,915	35,150	Not Available	7.0%
2013	20,606	1,103,012,056	53,529	35,342	Not Available	6.1%
2014	20,669	1,131,283,208	54,733	36,042	Not Available	5.5%
2015	20,832	1,195,762,229	57,400	36,879	Not Available	4.6%
2016	20,911	1,210,395,703	57,883	51,831	Not Available	5.8%
2017	21,000	1,371,699,481	65,319	52,874	Not Available	5.2%

(1) Harris County Appraisal District

The residential property numbers were derived by using the tax roll for the necessary year and adding the totals for all items designated as "residential" in the property use category description.

(2) TRACER of Texas Workforce Commission for Harris County

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Table 15

PRINCIPAL EMPLOYERS

For the Year Ended August 31, 2017

	2017			2008 [1]		
Taxpayer	**Employees**	**Rank**	**Percentage of Principal Employers**	**Employees**	**Rank**	**Percentage of Principal Employers**
Galena Park Independent School District	3,153	1	46.46%			
East Houston Regional Hospital	1,300	2	19.16%			
Walmart	811	3	11.95%			
Chevron	400	4	5.89%			
Shell Oil Products	225	5	3.32%			
Lowes	208	6	3.07%			
Sams Club East Freeway	200	7	2.95%			
United States Gypsum Co	190	8	2.80%			
Home Depot	175	9	2.58%			
National Oilwell Varco	124	10	1.83%			
	6,786		100.00%			

[1] Information not readily available.

Source: District records or managerial contact for referenced Employer.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

FULL-TIME EQUIVALENT DISTRICT EMPLOYEES

LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Professional Staff				
Teachers	1,401	1,410	1,380	1,473
Professional Support	393	401	380	263
Campus Administration	78	80	77	76
Central Administration	57	51	47	51
Education Aides	245	204	223	177
Auxiliary Staff	980	794	870	918
Total	3,153	2,940	2,977	2,958

Source: Texas Education Agency TAPR (Texas Academic Performance Report)

Table 16

2013	2012	2011	2010	2009	2008
1,480	1,492	1,537	1,573	1,520	1,545
297	270	307	274	285	227
69	65	74	70	72	75
11	35	29	34	27	29
127	98	134	167	141	146
956	1,014	1,023	976	976	950
2,940	2,974	3,094	3,021	2,972	2,943

GALENA PARK INDEPENDENT SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

		Governmental Fund Expenditures		Government-wide Expenses	
Fiscal Year August 31,	Average Daily Attendance	Operating Expenditures (1)	Cost per Student	Governmental Activities Expenses	Cost per Student
2008	19,585	$ 179,731,510	$ 9,177	$ 203,073,499	$ 10,369
2009	19,780	190,801,402	9,646	213,781,703	10,808
2010	19,830	205,022,286	10,339	229,016,610	11,549
2011	20,114	204,365,877	10,160	226,263,052	11,249
2012	20,226	188,582,707	9,324	211,523,486	10,458
2013	20,500	191,994,074	9,366	213,051,992	10,393
2014	20,884	203,548,714	9,747	224,526,271	10,751
2015	21,019	218,078,041	10,375	232,560,231	11,064
2016	21,002	223,536,308	10,644	241,031,451	11,477
2017	21,185	231,642,124	10,934	260,630,662	12,303

Source: District Records

(1) Operating expenditures include governmental fund expenditures less debt service and facilities acquisition and construction expenditures.

District Employees				Final	Percentage Increase	Student / Teacher	Students Participating in Free/Reduced
Teachers	Professionals	Other	Total	Enrollment	in Enrollment	Ratio	Lunch Program
1,545	331	1,096	2,943	21,041	-0.66%	14	16,042
1,520	384	1,117	2,972	21,208	0.79%	14	17,983
1,573	379	1,142	3,021	21,409	0.95%	14	17,761
1,537	410	1,157	3,094	21,557	0.69%	14	16,842
1,492	370	1,112	2,974	21,780	1.03%	15	17,216
1,480	297	1,163	2,940	22,012	1.07%	15	18,220
1,473	263	1,222	2,958	22,515	2.29%	15	18,055
1,380	380	1,217	2,977	22,639	0.55%	16	18,075
1,410	401	1,129	2,940	22,511	-0.57%	16	17,919
1,401	393	1,359	3,153	22,784	1.21%	16	18,263

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GALENA PARK INDEPENDENT SCHOOL DISTRICT ***Table 18***

TEACHER BASE SALARIES

LAST TEN FISCAL YEARS

Fiscal Year	Minimum Salary (1)	Maximum Salary (1)	Statewide Average (2)
2008	$ 41,000	$ 64,925	$ 46,179
2009	43,000	67,475	47,159
2010	44,500	69,525	48,263
2011	45,000	70,575	48,638
2012	45,000	70,575	48,375
2013	45,000	70,575	48,821
2014	45,500	71,825	49,692
2015	50,000	73,150	50,715
2016	51,000	74,500	51,891
2017	52,500	75,250	52,525

(1) Source: District Records

(2) Source: Texas Education Agency TAPR (Texas Academic Performance Report)

GALENA PARK INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	Year Built	2017	2016	2015	2014
HIGH SCHOOLS					
Galena Park	1950				
Square Footage		277,914	277,914	277,914	277,914
Additions					
Revised Sq Ft		277,914	277,914	277,914	277,914
Capacity (see note #1)		1,869	1,869	1,869	1,869
Enrollment		2,051	2,062	1,967	2,025
North Shore West	1954				
Square Footage		390,876	390,876	390,876	390,876
Additions					
Revised Sq Ft		390,876	390,876	390,876	390,876
Capacity (see note #1)		1,678	1,678	1,678	1,678
Enrollment		1,251	1,185	1,184	1,036
North Shore East (see note #3)	1956				
Square Footage		120,555	120,555	120,555	120,555
Additions					
Revised Sq Ft		120,555	120,555	120,555	120,555
Capacity (see note #1)		1,134	1,134	1,134	1,134
Enrollment (see note #2)					
North Shore Senior High	1998				
Square Footage		492,913	492,913	492,913	492,913
Additions					
Revised Sq Ft		492,913	492,913	492,913	492,913
Capacity (see note #1)		3,384	3,384	3,384	3,384
Enrollment		3,590	3,468	3,373	3,257
Sub-Total Sq Ft. High Schools		**1,282,258**	**1,282,258**	**1,282,258**	**1,282,258**
MIDDLE SCHOOLS					
Galena Park	1993				
Square Footage		149,394	149,394	149,394	149,394
Additions					
Revised Sq Ft		149,394	149,394	149,394	149,394
Capacity (see note #1)		1,106	1,106	1,106	1,106
Enrollment		1,024	999	971	1,039
North Shore	1993				
Square Footage		216,836	216,836	216,836	216,836
Additions					
Revised Sq Ft		216,836	216,836	216,836	216,836
Capacity (see note #1)		1,449	1,449	1,449	1,449
Enrollment		1,398	1,396	1,365	1,344

2013	2012	2011	2010	2009	2008
277,914	277,914	277,914	277,914	277,914	277,914
277,914	277,914	277,914	277,914	277,914	277,914
1,869	1,869	1,869	1,869	1,869	1,869
1,915	1,867	1,733	1,857	1,800	1,748
390,876	390,876	390,876	390,876	390,876	390,876
390,876	390,876	390,876	390,876	390,876	390,876
1,678	1,678	1,678	1,678	1,678	1,678
1,156	1,122	1,193	1,135	1,087	2,150
120,555	120,555	120,555	120,555	120,555	120,555
120,555	120,555	120,555	120,555	120,555	120,555
1,134	1,134	1,134	1,134	1,134	1,134
492,913	492,913	492,913	492,913	492,913	356,213
					136,700
492,913	492,913	492,913	492,913	492,913	492,913
3,384	3,384	3,384	3,384	3,384	3,384
3,319	3,322	3,241	3,052	2,967	1,851
1,282,258	**1,282,258**	**1,282,258**	**1,282,258**	**1,282,258**	**1,282,258**
149,394	149,394	149,394	149,394	149,394	149,394
149,394	149,394	149,394	149,394	149,394	149,394
1,106	1,106	1,106	1,106	1,106	1,106
1,052	1,072	1,060	1,002	1,003	932
216,836	216,836	216,836	216,836	216,836	216,836
216,836	216,836	216,836	216,836	216,836	216,836
1,449	1,449	1,449	1,449	1,449	1,449
1,310	1,269	1,324	1,304	1,357	1,406

GALENA PARK INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	Year Built	2017	2016	2015	2014
MIDDLE SCHOOLS (continued)					
Woodland Acres	1947				
Square Footage		97,086	97,086	97,086	97,086
Additions					
Revised Sq Ft		97,086	97,086	97,086	97,086
Capacity (see note #1)		659	659	659	659
Enrollment		542	523	517	459
Cunningham	1981				
Square Footage		167,234	167,234	167,234	167,234
Additions					
Revised Sq Ft		167,234	167,234	167,234	167,234
Capacity (see note #1)		1,123	1,123	1,123	1,123
Enrollment		958	945	945	998
Cobb 6th Grade Campus	2000				
Square Footage		130,893	130,893	130,893	130,893
Additions					
Revised Sq Ft		130,893	130,893	130,893	130,893
Capacity (see note #1)		1,240	1,240	1,240	1,240
Enrollment		1,168	1,167	1,157	1,063
Sub-Total Sq Ft. Middle Schools		**761,443**	**761,443**	**761,443**	**761,443**
ELEMENTARY SCHOOLS					
Cimarron	1954				
Square Footage		90,123	90,123	90,123	90,123
Additions					
Revised Sq Ft		90,123	90,123	90,123	90,123
Capacity (see note #1)		1,034	1,034	1,034	1,034
Enrollment		799	799	791	833
Cloverleaf	1942				
Square Footage		89,346	89,346	89,346	89,346
Additions					
Revised Sq Ft		89,346	89,346	89,346	89,346
Capacity (see note #1)		1,048	1,048	1,048	1,048
Enrollment		805	831	812	871
Galena Park	1936				
Square Footage		79,396	79,396	79,396	79,396
Additions					
Revised Sq Ft		79,396	79,396	79,396	79,396
Capacity (see note #1)		700	700	700	700
Enrollment		622	644	628	671

2013	2012	2011	2010	2009	2008
97,086	97,086	97,086	97,086	97,086	88,244
					8,842
97,086	97,086	97,086	97,086	97,086	97,086
659	659	659	659	659	659
458	472	487	509	487	479
167,234	167,234	167,234	162,765	162,765	162,765
167,234	167,234	167,234	162,765	162,765	162,765
1,123	1,123	1,123	1,047	1,047	1,047
887	913	907	932	888	819
130,893	130,893	130,893	130,893	130,893	130,893
130,893	130,893	130,893	130,893	130,893	130,893
1,240	1,240	1,240	1,240	1,240	1,240
1,155	1,162	1,009	1,066	1,098	1,107
761,443	**761,443**	**761,443**	**756,974**	**756,974**	**756,974**
90,123	90,123	90,123	90,123	90,123	90,123
90,123	90,123	90,123	90,123	90,123	90,123
1,034	1,034	1,034	1,034	1,034	1,034
809	810	807	855	880	925
89,346	89,346	89,346	89,346	89,346	89,346
89,346	89,346	89,346	89,346	89,346	89,346
1,048	1,048	1,048	1,048	1,048	1,048
845	804	836	777	779	767
79,396	79,396	79,396	79,396	79,396	64,348
					15,048
79,396	79,396	79,396	79,396	79,396	79,396
700	700	700	700	700	700
670	655	667	643	649	619

GALENA PARK INDEPENDENT SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS

Building:	Year Built	2017	2016	2015	2014
ELEMENTARY SCHOOLS (continued)					
Green Valley	1958				
Square Footage		96,041	96,041	96,041	96,041
Additions					
Revised Sq Ft		96,041	96,041	96,041	96,041
Capacity (see note #1)		988	988	988	988
Enrollment		780	806	765	720
Jacinto City	1943				
Square Footage		95,554	95,554	95,554	95,554
Additions					
Revised Sq Ft		95,554	95,554	95,554	95,554
Capacity (see note #1)		864	864	864	864
Enrollment		791	827	823	828
MacArthur	1951				
Square Footage		88,864	88,864	88,864	88,864
Additions					
Revised Sq Ft		88,864	88,864	88,864	88,864
Capacity (see note #1)		790	790	790	790
Enrollment		711	707	696	721
North Shore	1961				
Square Footage		88,789	88,789	88,789	88,789
Additions					
Revised Sq Ft		88,789	88,789	88,789	88,789
Capacity (see note #1)		920	920	920	920
Enrollment		995	987	959	915
Pyburn	1952				
Square Footage		73,654	73,654	73,654	73,654
Additions					
Revised Sq Ft		73,654	73,654	73,654	73,654
Capacity (see note #1)		720	720	720	720
Enrollment		642	649	633	681
Woodland Acres	1954				
Square Footage		62,010	62,010	62,010	62,010
Additions					
Revised Sq Ft		62,010	62,010	62,010	62,010
Capacity (see note #1)		499	499	499	499
Enrollment		459	438	437	419

2013	2012	2011	2010	2009	2008
96,041	96,041	96,041	96,041	96,041	96,041
96,041	96,041	96,041	96,041	96,041	96,041
988	988	988	988	988	988
701	679	669	621	626	635
95,554	95,554	95,554	95,554	95,554	95,554
95,554	95,554	95,554	95,554	95,554	95,554
864	864	864	864	864	864
860	792	822	796	817	823
88,864	88,864	88,864	88,864	88,864	88,864
88,864	88,864	88,864	88,864	88,864	88,864
790	790	790	790	790	790
730	726	735	780	792	776
88,789	88,789	88,789	88,789	88,789	88,789
88,789	88,789	88,789	88,789	88,789	88,789
920	920	920	920	920	920
912	885	854	878	851	783
73,654	73,654	73,654	73,654	73,654	73,654
73,654	73,654	73,654	73,654	73,654	73,654
720	720	720	720	720	720
683	652	623	644	640	645
62,010	62,010	62,010	62,010	62,010	62,010
62,010	62,010	62,010	62,010	62,010	62,010
499	499	499	499	499	499
422	426	453	444	444	433

GALENA PARK INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	**Year Built**	**2017**	**2016**	**2015**	**2014**
ELEMENTARY SCHOOLS (continued)					
Tice	1981				
Square Footage		80,680	80,680	80,680	80,680
Additions					
Revised Sq Ft		80,680	80,680	80,680	80,680
Capacity (see note #1)		792	792	792	792
Enrollment		714	700	690	733
Purple Sage	1990				
Square Footage		92,795	92,795	92,795	92,795
Additions					
Revised Sq Ft		92,795	92,795	92,795	92,795
Capacity (see note #1)		747	747	747	747
Enrollment		596	568	560	503
Havard	2000				
Square Footage		102,713	102,713	102,713	102,713
Additions					
Revised Sq Ft		102,713	102,713	102,713	102,713
Capacity (see note #1)		890	890	890	890
Enrollment		700	682	696	679
Normandy Crossing	2004				
Square Footage		106,800	106,800	106,800	106,800
Additions					
Revised Sq Ft		106,800	106,800	106,800	106,800
Capacity (see note #1)		777	777	777	777
Enrollment		668	643	630	652
Shirley J Williamson	2003				
Square Footage		105,000	105,000	105,000	105,000
Additions					
Revised Sq Ft		105,000	105,000	105,000	105,000
Capacity (see note #1)		797	797	797	797
Enrollment		628	641	621	698
Sam Houston	2007				
Square Footage		105,000	105,000	105,000	105,000
Additions					
Revised Sq Ft		105,000	105,000	105,000	105,000
Capacity (see note #1)		880	880	880	880
Enrollment		854	869	848	863
Sub-Total Sq Ft. Elementary Schools		**1,356,765**	**1,356,765**	**1,356,765**	**1,356,765**

2013	2012	2011	2010	2009	2008
80,680	80,680	80,680	80,680	80,680	80,680
80,680	80,680	80,680	80,680	80,680	80,680
792	792	792	792	792	792
707	675	637	637	664	648
92,795	92,795	92,795	92,795	84,495	84,495
				8,300	
92,795	92,795	92,795	92,795	92,795	84,495
747	747	747	747	747	747
512	572	594	591	576	611
102,713	102,713	102,713	102,713	102,713	102,713
102,713	102,713	102,713	102,713	102,713	102,713
890	890	890	890	890	890
674	684	665	675	659	698
106,800	106,800	106,800	106,800	106,800	106,800
106,800	106,800	106,800	106,800	106,800	106,800
777	777	777	777	777	777
609	649	627	655	636	688
105,000	105,000	105,000	105,000	105,000	105,000
105,000	105,000	105,000	105,000	105,000	105,000
797	797	797	797	797	797
686	575	542	551	560	515
105,000	105,000	105,000	105,000	105,000	105,000
105,000	105,000	105,000	105,000	105,000	105,000
880	880	880	880	880	880
826	827	845	813	778	790
1,356,765	**1,356,765**	**1,356,765**	**1,356,765**	**1,356,765**	**1,348,465**

GALENA PARK INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

Building:	Year Built	2017	2016	2015	2014
OTHER CAMPUSES					
Becker Early Head Start					
Square Footage		9,295	9,295	9,295	9,295
Additions					
Revised Sq Ft		9,295	9,295	9,295	9,295
Capacity		64	64	64	64
Enrollment		64	64	64	64
PEP Center	2007				
Square Footage		9,651	9,651	9,651	9,651
Additions					
Revised Sq Ft		9,651	9,651	9,651	9,651
Capacity		48	48	48	48
Enrollment		48	48	48	48
Sub-Total Sq Ft. Other Campuses		**18,946**	**18,946**	**18,946**	**18,946**
OTHER FACILITIES					
ACT Clinic	2008				
Square Footage		3,100	3,100	3,100	3,100
Administration Building	2001				
Square Footage		81,000	81,000	81,000	81,000
Facilities & Planning/Warehouse					
Square Footage		18,456	18,456	18,456	18,456
Grounds Maintenance Dept.					
Square Footage		5,670	5,670	5,670	5,670
FFA Agricultural Facility	2002				
Square Footage		28,880	28,880	28,880	28,880
South Annex	1944				
Square Footage		5,603	5,603	5,603	5,603
Maintenance Facility	1950				
Square Footage		22,154	22,154	22,154	22,154
Stadium/Natatorium	2002				
Square Footage		44,519	44,519	44,519	44,519
Transportation Department	2001				
Square Footage		17,700	17,700	17,700	17,700
Athletics Office	2002				
Square Footage		10,669	10,669	10,669	10,669
North Annex					
Square Footage		2,250	2,250	2,250	2,250
Sub-Total Sq Ft. Other Facilities		**240,001**	**240,001**	**240,001**	**240,001**
GRAND TOTAL		**3,659,413**	**3,659,413**	**3,659,413**	**3,659,413**

Source: District Records
Note #1: Capacity does not include temporary buildings
Note #2: This is a specialized campus where students are enrolled in either GPHS, NSSHS, or NSHS West.
Note #3: North Shore East consists of Accelerated Center for Education, Center for Success, Central Intake, and Success Academy

2013	2012	2011	2010	2009	2008
9,295	9,295	9,295	9,295	9,295	9,295
9,295	9,295	9,295	9,295	9,295	9,295
64	64	64	64	64	64
64	64	64	64	64	64
9,651	9,651	9,651	9,651	9,651	9,651
9,651	9,651	9,651	9,651	9,651	9,651
48	48	48	48	48	48
48	48	48	48	48	48
18,946	**18,946**	**18,946**	**18,946**	**18,946**	**18,946**
3,100	3,100	3,100	3,100	3,100	3,100
81,000	81,000	81,000	81,000	81,000	81,000
18,456	18,456	17,006	17,006	17,006	17,006
5,670	5,670	5,670	5,670	5,670	5,670
28,880	28,880	28,880	28,880	28,880	28,880
5,603	5,603	5,603	5,603	5,603	5,603
22,154	22,954	22,954	22,954	22,954	22,954
44,519	44,519	44,519	44,519	44,519	44,519
17,700	17,700	17,700	17,700	17,700	17,700
10,669	10,669	10,669	10,669	10,669	10,669
2,250					
240,001	**238,551**	**237,101**	**237,101**	**237,101**	**237,101**
3,659,413	**3,657,963**	**3,656,513**	**3,652,044**	**3,652,044**	**3,643,744**

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